Inverclyde council

Agenda 2013

Policy & Resources Committee

For meeting on:

13	August	2013

Inverclyde
council
Municipal Buildings, Greenock

Ref: SL/MS

Date: 1 August 2013

A meeting of the Policy & Resources Committee will be held on Tuesday 13 August 2013 at 3 pm within the Municipal Buildings, Greenock.

ELAINE PATERSON
Head of Legal & Democratic Services

BUSINESS

** **Copy to follow**

1. **Apologies, Substitutions and Declarations of Interest**

PERFORMANCE MANAGEMENT

2. **2013/16 Capital Programme**
Report by Chief Financial Officer

3. **2012/13 Efficiency Performance**
Report by Chief Financial Officer

4. **Treasury Management - Annual Report 2012/13**
Report by Chief Financial Officer

5. **Revenue Budget Outturn 2012/13**
Report by Chief Financial Officer

6. **Major Capital Investments in Councils - Accounts Commission Report**
Report by Corporate Director Environment, Regeneration & Resources

NEW BUSINESS

7. **Inverclyde Council - Reserves Policy**
Report by Chief Financial Officer

8. **Non-Domestic Rates - Short Term Part Empty Relief**
Report by Chief Financial Officer

9. **Methods of Council Tax Payment**
Report by Chief Financial Officer

10. **Water Direct Pilot**
Report by Chief Financial Officer

11. **ICT Strategy 2013 - 16**
Report by Corporate Director Environment, Regeneration & Resources

12. **Fly a Flag for the Commonwealth - 10 March 2014**
Report by Corporate Director Education, Communities & Organisational Development

13. **Draft Information Classification Policy**
Report by Corporate Director CHCP

14. **Reduction in Discretionary Housing Payment Funding**
** Report by Chief Financial Officer

15. **Insurance Tender**
** Report by Chief Financial Officer

Enquiries to - **Sharon Lang** - Tel 01475 712112

Inverclyde council

AGENDA ITEM NO. 2

Report To:	**Policy & Resources Committee**	**Date:**	**13 August 2013**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/54/13/AP/MT**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**2013/16 Capital Programme**		

1.0 PURPOSE

1.1 The purpose of the report is to provide Committee with the latest position of the 2013/16 Capital Programme.

2.0 SUMMARY

2.1 In February 2013 the Council agreed a 3 year Capital Programme covering the period 2013/16. It should be noted that the 2015/16 Capital Grant Allocation is an estimate at this stage. The estimated shortfall in resources at the time of agreeing the budget was £1.695m over 2013/16.

2.2 Based on the latest figures it can be seen from Appendix 1 that there is an estimated shortfall in resources of £1.695 million over the 2013/16 period which represents 1.6% of the total programme. A shortfall of this level is not unusual and is in line with the 1.5% recommended. In the longer term annual capital allocations continue to exceed the General Capital Grant and opportunities to reduce this funding gap should be taken.

2.3 It can be seen from Appendix 2 that as at 30th June 2013 expenditure was 18% of projected spend. Phasing and project spend have been reviewed by the Senior Officer (CAMS) Group against planned spend.

2.4 The position in respect of each individual Committee is reported in Appendix 2 and Section 5 of the report. It can be seen that overall, Committees are projecting an underspend of £40,000, this relates to Kylemore Childrens Home, and budgetary slippage of 0.2% is being reported.

2.5 Capital expenditure for 2012/13 outturned at a slippage level of 7%, a decrease of 2.34% from that reported to Committee in March 2013 (9.34%), largely as a result of an increase in spend within SEMP. This represents a significant improvement in that experienced in 2011/12 (31%).

3.0 RECOMMENDATIONS

3.1 It is recommended that Committee note the much reduced slippage levels experienced in 2012/13 and the current position of the 2013/16 Capital Programme.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 On 14th February 2013 the Council agreed a 2013/16 Capital Programme which included significant additional funding to increase the Roads Asset Management Plan with further amounts set aside from available Revenue Reserves to fund a number of further Capital Projects and to reduce the overall funding shortfall.

4.2 The Business Property Renovation Scheme (BPRA) was approved by the Policy & Resources Committee in February 2013. The refurbishment of Wallace Place and the creation of the Port Glasgow Hub are funded from this scheme and will deliver a capital saving of around £1.0m which was factored into the 2013/16 Budget. These projects have been removed from the Capital Programme.

5.0 CURRENT POSITION

5.1 Appendix 1 shows that over the 3 year period there is a projected shortfall in resources of £1.695 million which represents 1.6% of the projected spend excluding the School Estates Management Plan and is in line with the recommended level of 1.5%.

5.2 The position in respect of individual Committees is as follows:

Social Care

An underspend of £0.04m within the Kylemore Childrens home is being reported. No additional slippage is being reported, there is no spend for the year. The underspend will be returned to the overall programme.

Environment & Regeneration

Net slippage of £0.012m (0.09%) is being reported with spend being 9.9% of projected spend for the year.

Education & Communities

Pitch Upgrading at Whinhill (£0.275m) is being accelerated from future years; this is partly offset by slippage in the Watt Complex (£0.071m) resulting in a net advancement of spend of £0.204m (0.87%).

Within SEMP no slippage is being shown at this stage however it is expected that there will be overspends at St Columba's and Lomond View but that this will be fully funded from within the SEMP. A detailed update on the overall delivery of the SEMP projects will be given to the Education & Communities Committee in September 2013.

Finally, no slippage is being shown within the Scheme of Assistance at present, Officers are reviewing the allocation of this budget and any slippage will be reported to the next cycle.

Policy & Resources

Slippage of £0.265m (21.96%) is being reported with spend being 1.7% of projected spend for the year. The main areas of slippage are within the PC Refresh (£0.089m) and the Modernisation Fund (£0.072m).

5.3 Overall in 2013/14 it can be seen that expenditure is 18.19% of the projected spend for the year and that slippage from the programme agreed in February 2013 is currently £0.073 million (0.2%).

6.0 SCHOOL ESTATE MANAGEMENT PLAN

6.1 The position of the School Estate finances is shown separately in Appendix 2. A report to the Education & Communities Committee on 30th October 2012 advised of the latest position of the SEMP with the overall model remaining affordable and deliverable. Proposals to accelerate aspects of the Primary School Programme were approved by the Council in February 2013.

7.0 2012/13 OUTTURN

7.1 Capital expenditure for 2012/13 outturned at a slippage level of 7%, a decrease of 2.34% from that reported to Committee in March 2013 (9.34%) largely as a result of increased spend within SEMP. This was a significant improvement in that experienced in 2011/12 (31%).

7.2 Officers robustly reviewed phasings on all projects prior to the setting of the 2012/15 Capital Programme in order to set a 3 year Capital Programme that was both prudent and realistic in reflecting the anticipated capital expenditure and this has resulted in the improved slippage levels.

7.3 This review process was repeated prior to the setting of the 2013/16 Capital Programme and as can be seen in paragraph 5.3, projected slippage is currently 0.2%. While it is early in the financial year the signs are that this review continues to produce a more realistically phased Capital Programme.

8.0 CONCLUSION

8.1 The Council's Capital Programme for 2013/16 is showing a shortfall in resources of £1.695 million, approximately 1.6% of the projected spend.

8.2 Overall Service Committees have spent 18.19% of the 2013/14 projected spend as at 30th June 2013.

9.0 CONSULTATION

9.1 This report has been approved by the Corporate Management Team.

Appendix 1

Capital Programme - 2013/14 - 2015/16

Available Resources

	2013/14	2014/15	2015/16	Future	Total
	£000	£000	£000	£000	£000
Government Capital Support	5,857	7,838	6,000	-	19,695
Less: Allocation to School Estate	(4,500)	(4,800)	(4,300)		(13,600)
Capital Receipts (Note 1)	916	560	937	50	2,463
Capital Grants (Note 2)	103	125	-	-	228
Prudential Funded Projects (Note 3)	5,918	26,190	6,101	440	38,649
Balance B/F From 11/12 (Exc School Estate)	1,455	-	-	-	1,455
Capital Funded from Current Revenue (Note 4)	9,318	8,639	2,833	-	20,790
Transfer to Capital Fund	(50)	(340)	(165)	(50)	(605)
	19,017	38,212	11,406	440	69,075

Overall Position 2013/16

	£000
Available Resources (Appendix 1, Column E)	69,075
Projection (Appendix 2, Column B-E)	70,770
(Shortfall)/Under Utilisation of Resources	(1,695)

Notes to Appendix 1

All notes exclude School Estates

Note 1 (Capital Receipts)	2013/14	2014/15	2015/16	Future	Total
	£000	£000	£000	£000	£000
Sales	904	560	937	50	2,451
Contributions/Recoveries (2012/13 to be confirmed)	12	-	-	-	12
	916	560	937	50	2,463

Note 2 (Capital Grants)	2013/14	2014/15	2015/16	Future	Total
	£000	£000	£000	£000	£000
Cycling, Walking & Safer Streets	85	125	-	-	210
Sports Scotland/SFA	18	-	-	-	18
	103	125	-	-	228

Notes to Appendix 1

Note 3 (Prudentially Funded Projects)	2013/14	2014/15	2015/16	Future	Total
	£000	£000	£000	£000	£000
Additional ICT - Education Whiteboard & PC Refresh	74	68	68	-	210
Vehicle Replacement Programme	176	978	2,198	-	3,352
Greenock Parking Strategy	-	150	-	-	150
Asset Management Plan - Offices	2,220	6,309	492	90	9,111
Asset Management Plan - Borrowing in Lieu of Receipts	-	920	-	-	920
Asset Management Plan - Depots	1,870	8,279	1,183	-	11,332
Leisure & Pitches Strategy	1,477	933	-	-	2,410
Kylemore Childrens Home	(61)	-	-	-	(61)
Modernisation Fund	20	72	-	350	442
Watt Complex Refurbishment	100	3,821	-	-	3,921
Gourock One Way System	(4)	2,500	-	-	2,496
Roads Asset Management Plan	-	2,100	2,100	-	4,200
Surplus Prudential Borrowing due to project savings	60	60	60		180
Element of Prudentially Funded projects already funded through existing Supported Borrowing	(14)		-	-	(14)
	5,918	26,190	6,101	440	38,649

Note 4 (Capital Funded from Current Revenue)	2013/14	2014/15	2015/16	Future	Total
	£000	£000	£000	£000	£000
Regeneration of Port Glasgow Town Centre	184	450	-	-	634
Play Areas	351	300	-	-	651
SWIFT Finance Module	60	-	-	-	60
Lunderston Bay	120	41	-	-	161
Scheme of Assistance	433	433	433	-	1,299
Aids & Adaptations (Earmarked Reserve)	360	-	-	-	360
Flooding Strategy	42	1,222	-	-	1,264
Greenock Parking Strategy	104	100	-	-	204
Roads Asset Management Plan	2,727	2,400	2,400	-	7,527
Broomhill Community Facility (Community Facility Fund)	50	150	-	-	200
Inverkip Community Facility	264	900	-	-	1,164
Modernisation Fund	25	-	-	-	25
Port Glasgow Town Centre, Town Hall Refresh	164	63	-	-	227
Watt Complex Refurbishment	-	1,000		-	1,000
Community Facilities Investment	-	750	-	-	750
Blaes Football Parks	275	555	-	-	830
Broomhill Regeneration	-	250	-	-	250
Completion of SV Comet Canopy	109	25	-	-	134
Use of General Fund Reserves	4,050	-	-		4,050
	9,318	8,639	2,833	-	20,790

Capital Programme - 2013/14 - 2015/16

Agreed Projects

Committee	A Prior Years	B 2013/14	C 2014/15	D 2015/16	E Future	G Total	H Approved Budget	I (Under)/ Over	J 2013/14 Spend To 30/6/13
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Policy & Resources	3,784	942	780	515	350	6,371	6,371	-	16
Environment & Regeneration	34,479	13,817	30,137	11,625	90	90,148	90,148	-	1,374
Education & Communities (Exc School Estate)	455	2,472	8,810	933	-	12,670	11,670	1,000	120
CHCP	1,131	299	-	-	-	1,430	1,470	(40)	-
Sub -Total	39,849	17,530	39,727	13,073	440	110,619	109,659	960	1,510
School Estate (Note 1)	37,984	21,117	12,016	6,365	11,622	89,104	89,104	-	5,519
Total	77,833	38,647	51,743	19,438	12,062	199,723	198,763	960	7,029

Note 1

Summarised SEMP Capital Position - 2010/14	2013/14	2014/15	2015/16	2016/17
Capital Allocation	4,500	4,800	4,300	4,300
Scottish Government School Grant (estimate)	1,366		801	803
Surplus b/fwd	2,182	4,409	1,244	(20)
Prudential Borrowing	9,153	4,051	-	-
Prudential Borrowing - In Lieu of Receipts	3,325			
Prudential Borrowing - Accelerated Investment	5,000			
Available Funding	25,526	13,260	6,345	5,083
Projects				
Ex-Prudential Borrowing	11,964	7,965	6,365	5,436
Prudential Borrowing	9,153	4,051	-	-
Total	21,117	12,016	6,365	5,436
Surplus c/fwd	4,409	1,244	(20)	(353)

Inverclyde council

AGENDA ITEM NO. 3

Report To:	**Policy & Resources Committee**	**Date:**	**13th August 2013**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/45/13/AP/CM**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**2012/13 Efficiency Performance**		

1.0 PURPOSE

1.1 The purpose of this report is to advise Committee of the level of efficiencies achieved by the Council in 2012/13 and to approve the Annual Return which is to be returned to Cosla by 27th August 2013.

2.0 SUMMARY

2.1 It is a requirement of all Councils to make an Annual Return in respect of efficiencies achieved and submit this to Cosla who co-ordinate this on behalf of the Scottish Government. In return for this the Government has agreed to treat the Council's Efficiency Statement with a light touch.

2.2 The return has to be signed by the Chief Executive and the draft return is attached as Appendix 1. It can be seen that in 2012/13 the Council achieved recurring efficiency savings of £2.096 million. Appendix 2 provides more detail and also a projection in respect of 2013/14 efficiencies.

2.3 Based on these figures the Council is on target to achieve £12.2 million of recurring efficiency savings over the six year period 2008/14 (Appendix 3). This is clearly helping the Council protect front line services at a time of ongoing reductions in funding. In addition to this the Council has reinvested the £4.4 million saved to date generated by the School Estates Management Plan. This is excluded as it has been fully reinvested in new/upgraded schools.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee note the achievement of £2.096 million recurring efficiency savings in 2012/13 and approve the submission of the annual return to Cosla by 27th August 2013.

Alan Puckrin
Chief Financial Officer

Inverclyde council

APPENDIX 1

CONFIRMATION OF EFFICIENCIES DELIVERED IN 2012-13

1	**Local Authority Name**	Inverclyde Council
2	**Total cash efficiency achieved for 2012-13 £'000**	£2.096 million
3	**Summary of efficiency activity** e.g. The main initiatives the local authority has taken over the year to ensure a strategic approach to increased efficiency and productivity and the improvements achieved in these areas.	£1.923 million of the achieved savings came from the Councils Workstream programme with the main savings being: - Procurement £0.4million - Management Restructure £0.19 million - Increasing the working week £0.86 million - Service Reviews £0.37 million
	The main information that the local authority uses to assess productivity, service quality and performance and how the scope, usefulness or reliability has been improved during the year.	Efficiencies are identified via the budget process and supported by impact sheets. The Council takes a robust view of savings which count towards efficiency targets.
	Specific steps the local authority has taken during the year to improve collaboration and joint working to deliver efficient and user-focused services and the improvements achieved.	The Council continues to increase joint working via the CHCP, the development of a Pan-Renfrewshire Shared Service agenda and collaborative procurement with neighbouring Councils. The Council is also utilising the benchmarking information generated from the Solace benchmarking information to further analyse costs and identify possible efficiencies.
4	**Breakdown of efficiency saving by Procurement, Shared Services or Asset Management £'000** (only where relevant – not all efficiencies will fall into these categories, so the figures here do not have to match the overall total.	Procurement = £399k Shared Services = N/A Asset Management = N/A
5	**Evidence**: What performance measures and/or quality indicators are used to ensure that efficiencies were achieved without any detriment to services?	Via the Councils Performance Management Framework performance is regularly measured and reported. As stated above the Council takes a conservative view when classifying savings as efficiencies.

Signed .... (Chief Executive or equivalent)

Date ....

Inverclyde council

APPENDIX 2

Workstream Efficiencies (Per 26th February 2013 Finance CMT Update)

	2012/13 £000	2013/14 £000	Future Years £000
1/ Senior Management Restructure (April 2012)	189	82	303
2/ Review Committee Support *	-	20	-
3/ Operating Model - March 2011	50	11	-
- November 2011	38	179	-
4/ CVSSS Alternative Savings - Finance/HR	12	78	148
5/ Facilities Management - Janitors	76	-	-
- Catering/Cleaning	32	52	-
6/ Utilities #	-	100	50
7/ Procurement	299	253	160
8/ 37 Hour Working Week	862	71	-
9/ Commissioning - Supported Living	100	40	-
- Staffing	-	39	-
10/ Home Care Service Review	150	125	75
11/ LET Review	79	5	16
12/ Early Years FYE	36	-	-
	1923	1055	752

* Ignores £10k top-slice to Members Salary budget
\# Ignores £50k general top slice in 2012/13

Reflects increase targets agreed for Procurement and Home Care as part of the February 2013 budget.

Other Efficiency Savings

	2012/13 £000	2013/14 £000	Future Years £000
1/ Full Year Effect of 2011/12 Savings	173	-	-
2/ 2013/14 Savings agreed February 2013			
- CHCP	-	204	480
- Environment, Regeneration & Resources	-	64	255
- Education, Communities & OD	-	294	245
	173	562	980

AP/CM
02/07/2013

Inverclyde council

APPENDIX 3

Efficiencies - 2008/9 to 2013/14

Year	£million	Comment
2008/9	1.966	Per Efficiency Statement
2009/10	1.922	Per Efficiency Statement
2010/11	2.864	Per Efficiency Statement
2011/12	1.754	Per Efficiency Statement
2012/13	2.096	Per Efficiency Statement
2013/14	1.617	Per Approved Budget
	12.219	

Note: Excludes £4.4 million efficiencies generated by the School Estate Management Plan which have accumulated since 2006. These savings have helped fund new replacement schools.

AP/CM
'29/07/2013

Inverclyde council

AGENDA ITEM NO. 4

Report To:	**Policy & Resources Committee**	**Date:**	**13 August 2013**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/53/13/AP/KJ**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**TREASURY MANAGEMENT – ANNUAL REPORT 2012/13**		

1.0 PURPOSE

1.1 The purpose of this report is to advise members of the operation of the treasury function and its activities for 2012/13 as required under the terms of Treasury Management Practice 6 ("TMP6") on "Reporting Requirements and Management Information Arrangements".

2.0 SUMMARY

2.1 As at 31 March 2013 the Council had debt (excluding PPP) of £224,411,117 and investments of £67,314,005. This compares to debt (excluding PPP) of £194,640,228 and investments of £59,204,345 at 31 March 2012.

2.2 The average rate of return achieved on investments during 2012/13 was 2.18% which exceeds the benchmark return rate for the year of 0.56% by 1.62% and resulting in £1,278,200 of additional interest on investments for the Council.

2.3 During 2012/13 the Council did not undertake any debt restructuring and operated within the required treasury limits and Prudential Indicators for the year set out in the Council's Treasury Policy Statement, annual Treasury Strategy Statement, and the Treasury Management Practices. The exceptions to this related to exceeding the investment limits with the Council's bankers on a number of occasions, all of which were reported to Committee during 2012/13.

2.4 From 2013/14 onwards the Council is required to compare its Gross External Debt (which was £298.215m for 2012/13 including PPP) to its Capital Financing Requirement (£296.719m for 2012/13). The Gross External Debt at 31 March 2013 was £1.496m (0.5%) over the Capital Financing Requirement due to the Council borrowing earlier in 2012/13 to fund its estimated capital expenditure in year but some of that estimated expenditure having later been rephased to 2013/14. The Gross External Debt is projected to be under the Capital Financing Requirement for 2013/14 onwards.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee notes the contents of the annual report on Treasury Management for 2012/13 and the ongoing work to ensure the delivery of financial benefits for the Council.

3.2 It is also recommended that the Annual Report be remitted to the Full Council for approval.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2012/13.

Annual Report for 2012/13

4.2 Treasury Management in this context is defined as: “The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

4.3 This annual treasury report covers:

- the Council’s treasury position as at 31st March 2013;
- performance measurement;
- the strategy for 2012/13;
- the wider economy and interest rates in 2012/13;
- the borrowing outturn for 2012/13;
- debt rescheduling;
- compliance with treasury limits and Prudential Indicators in 2012/13;
- investment strategy and outturn for 2012/13;
- other issues.

Treasury Management is a complex area with its own terminology and acronyms. In order to aid the Committee’s understanding a Glossary of Terms is attached as Appendix 1.

4.4 Treasury Position As At 31st March 2013

The Council’s debt and investment position was as follows:

	31st March 2013		31st March 2012	
	Principal	Rate	Principal	Rate
	£000		£000	
Fixed Rate Funding:				
- PWLB	121,468		91,697	
- Market *	56,000		51,000	
	177,468	3.97%	142,697	4.29%
Variable Rate Funding:				
- PWLB	0		0	
- Market *	46,900		51,900	
- Temporary	43		43	
	46,943	5.04%	51,943	4.79%
Total Debt	**224,411**	**4.19%**	**194,640**	**4.43%**

* - Market Loans are shown as variable when they have less than 1 year to go until their next call date. The total value of Market Loans has not changed between 2011/12 and 2012/13, just the split between fixed and variable.

	31st March 2013		31st March 2012	
	Principal	Return	Principal	Return
	£000		£000	
Investments:				
- External	57,500	2.51%	53,000	2.18%
- Deposit Accounts	9,814	0.58%	6,204	0.62%
Total Investments	**67,314**	**2.23%**	**59,204**	**2.02%**

4.5 Performance Measurement

One of the key changes in a previous revision of the Code was the formal introduction of performance measurement relating to investments, debt and capital financing activities. Whilst investment performance criteria have been well developed and universally accepted, debt performance indicators continue to be a more problematic area with the traditional average portfolio rate of interest acting as the main guide.

An alternative measure is the Council's Loans Fund Pool Rate for Interest which is used to allocate interest charges to the General Fund and reflects the actual cost of the Council's Treasury activities. The rates for the last 5 years are as follows:

Year	Loans Fund Pool Rate
2008/09	4.608%
2009/10	3.805%
2010/11	4.300%
2011/12	4.208%
2012/13	3.811%

4.6 Strategy For 2012/13

The Council's borrowing strategy for 2012/13 was based on the following information:

- The Bank Rate was expected to increase in Quarter 3 to 0.75% and then in Quarter 4 of 2012 to 1.00%.
- PWLB rates were expected to increase during the year by around 0.20% with PWLB rates on shorter period loans expected to be significantly lower than longer term PWLB rates.
- The difference between short term and longer term borrowing rates was expected to give significant opportunities to generate savings by switching from long term debt to short term debt. These savings were, however, to be considered in the light of their short term nature and the likely cost of refinancing those short term loans, once they matured, compared to the current rates of longer term debt in the Council's debt portfolio.

The strategy was to take account of the following suggested order of priority for borrowing:

- The cheapest borrowing was expected to be internal borrowing by running down cash balances and foregoing interest earned at historically low rates. However, in view of the overall forecast for borrowing rates to increase over the next few years, consideration was also to be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity was missed for taking loans at rates which will be higher in future years.
- Temporary borrowing from the money markets or other local authorities.
- PWLB variable rate loans for up to 10 years.
- Short dated borrowing from non-PWLB sources.
- Long/

- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) whilst seeking to maintain an appropriate balance between PWLB and market debt in the debt portfolio.
- PWLB borrowing for shorter periods where rates were expected to be significantly lower than rates for longer periods. This offered a range of options for new borrowing which would spread debt maturities away from a concentration in longer dated debt.

On the use of External Borrowing against using Internal Borrowing:

- The general aim of the treasury management strategy was to seek to reduce and then approximately maintain the difference between the Gross and Net debt levels over the following three years in order to reduce the credit risk incurred by holding investments whilst meeting liquidity requirements and retaining flexibility over funding requirements.
- It was expected that 2012/13 would see continued abnormally low Bank Rates, providing a continuation of the window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- One factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

Against this background, and with regard to the level of Council investments, caution was to be adopted with the 2012/13 treasury operations. The Chief Financial Officer was to monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Policy & Resources Committee.

4.7 The Wider Economy and Interest Rates In 2012/13

Sovereign debt crisis

The EU sovereign debt crisis was an ongoing saga during the year. However, the European Central Bank statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries provided a major boost in confidence that the Eurozone was beginning to get on top of its problems. This was followed by the establishment of the Outright Monetary Transactions Scheme in September. During the summer, a €100bn package of support was given to Spanish banks. The crisis over Greece blew up again as it became apparent that the first bailout package was insufficient. An eventual and very protracted agreement of a second bailout for Greece in December was then followed by a second major crisis, this time over Cyprus, towards the end of the year. In addition, the Italian general election in February resulted in an anti-austerity party gaining a 25% blocking vote with the potential for problems if the grand coalition formed in April proves unable to agree on individual policies. This could then cause a second general election – but one which could yield an equally ‘unsatisfactory’ result. There are continuing concerns that this approach has merely postponed the ultimate debt crisis, rather than provide a conclusive solution. These problems will, in turn, also affect the financial strength of many already weakened European Union banks during the expected economic downturn in the European Union. There are also major questions as to whether the Greek Government will be able to deliver on its promises of cuts in expenditure and increasing tax collection rates, given the hostility of much of the population.

UK

The UK coalition Government maintained its tight fiscal policy stance against a background of warnings from two credit rating agencies that the UK could lose its AAA credit rating. Moody’s followed up this warning by downgrading the rating to AA+ in February 2013 and Fitch then placed their rating on negative watch, after the Budget statement in March, and downgraded the rating to AA+ in April 2013. Key to retaining the AAA rating from Standard & Poor's will be a return to strong economic growth in order to reduce the national debt burden to a sustainable level, within a reasonable timeframe.

UK growth

2012/13 started the first quarter with negative growth of -0.4%. This was followed by an Olympics-boosted +0.9% in the next quarter, then by a return to negative growth of -0.3% in the third quarter and finally a positive figure of +0.3% in the last quarter. This weak UK growth resulted in the Monetary Policy Committee increasing quantitative easing (QE) by £50bn in July to a total of £375bn on concerns of a downturn in growth and a forecast for inflation to fall below the 2% target. QE was targeted at further gilt purchases. In the March 2013 Budget, the Office for Budget Responsibility yet again slashed its previously over-optimistic growth forecasts, for both calendar years 2013 and 2014, to 0.6% and 1.8% respectively.

Inflation

UK CPI inflation has remained stubbornly high and above the 2% target, starting the year at 3.0% and still being at 2.8% in March; however, it is forecast to fall to 2% in three years time. The MPC has continued its stance of looking through temporary spikes in inflation by placing more importance on the need to promote economic growth.

Gilts

Gilt yields oscillated during the year as events in the ongoing Eurozone debt crisis ebbed and flowed, causing corresponding fluctuations in safe haven flows into / out of UK gilts. This, together with a further £50bn of QE in July and widely expected further QE still to come, combined to keep PWLB rates depressed for much of the year at historically low levels.

Interest Rates

Bank Rate was unchanged at 0.50% throughout the year, while expectations of when the first increase would occur were pushed back to quarter 1 of 2015 at the earliest.

The Funding for Lending Scheme, announced in July, resulted in a flood of cheap credit being made available to banks and this has resulted in money market investment rates falling sharply in the second half of the year. However, perceptions of counterparty risk have improved after the ECB statement in July that it would do "whatever it takes" to support struggling Eurozone countries. This has resulted in some return of confidence to move away from only very short term investing.

PWLB "Certainty Rate"

The documents from the March 2012 Budget included a proposal for a 0.20% reduction in PWLB rates for local authorities "providing improved information and transparency on their locally-determined long-term borrowing and associated capital spending plans." Further details of the proposed "certainty rate" only became available from HM Treasury in August 2012 with the rate applying to new borrowing from 1 November 2012 for authorities who provided additional information on 3-year planned capital expenditure and borrowing before 17 September 2012.

The Council has not yet taken any borrowing which has taken advantage of the Certainty Rate. As explained below, the Council undertook borrowing during 2012/13 but at a time when PWLB rates were at low levels and projected to increase and when no information had been issued by HM Treasury or the PWLB about how and when the Certainty Rate would be implemented.

4.8 Borrowing Outturn For 2012/13

The Council undertook the following borrowing during the year:

April 2012

- £5,000,000 at 0.50% for 3 months

May 2012

- £10,000,000 at 2.88% for 9½ years

July 2012

- £5,000,000 at 2.31% for 8 years
- £7,500,000 at 2.69% for 10½ years
- £7,500,000 at 2.79% for 11½ years.

The March 2012 Budget had limited information on the proposed Certainty Rate so it was unclear how and when the proposed rate would be implemented. Given this uncertainty and the Council's need for borrowing for its capital expenditure, the borrowing in April 2012 as shown above was on a temporary basis so that a decision on borrowing could be taken later if more information was forthcoming on the Certainty Rate.

The May 2012 borrowing was undertaken given the Council's funding requirements and the likelihood of increases in PWLB rates, even given the proposed Certainty Rate. The July 2012 borrowing was done for the same reasons and to repay the temporary borrowing undertaken in April 2012.

4.9 Debt Rescheduling

Rescheduling Strategy – The Council's treasury consultants started 2012/13 with the expectation that PWLB rates were expected to rise but that rates were more difficult to predict given that the rates are based on volatile UK gilt yields. Short term borrowing rates were expected to be considerably cheaper than longer term rates with significant opportunities to generate savings by switching from long term debt to short term debt. Moving from long term to short term debt would, however, mean taking on a greater risk exposure to having to re-borrow longer term in later years at considerably higher rates.

Rescheduling Outturn For 2012/13 – The Council undertook no debt restructuring in 2012/13.

4.10 Compliance With Treasury Limits and Prudential Indicators in 2012/13

During the financial year the Council operated within the required treasury limits and Prudential Indicators for 2012/13 set out in the Council's Treasury Policy Statement, annual Treasury Strategy Statement, and the Treasury Management Practices other than on a few occasions as reported to Committee in August 2012 and November 2012. The Prudential and Treasury Indicators and Council policy limits monitored during the year are shown in Appendix 2 and in Appendix 3.

As Appendix 2 shows, the Council is currently required to compare its Net External Debt (£230.901m for 2012/13 being Gross Debt less Investments) to its Capital Financing Requirement (£296.719m for 2012/13) and the Council have complied with this indicator. The indicator is changing from 2013/14 onwards to compare Gross External Debt (£298.215m for 2012/13) to the Capital Financing Requirement. The Gross External Debt was £1.496m (0.5%) over the Capital Financing Requirement at 31 March 2013 which is due to the Council having borrowed in 2012/13 to fund its estimated capital expenditure in year but some of that estimated expenditure was later rephased to 2013/14 (as advised in reports on the Capital Programme). As the Treasury Management Strategy Statement agreed by the Council on 11 April 2013 shows, the Gross External Debt is projected to be under the Capital Financing Requirement for 2013/14 onwards.

4.11 Investment Strategy and Outturn for 2012/13

Investment Policy – The Council's investment policy is governed by Scottish Government Investment Regulations, which was implemented in the annual investment strategy approved by the Council on 12 April 2012. This policy sets out the approach for choosing investment categories and counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

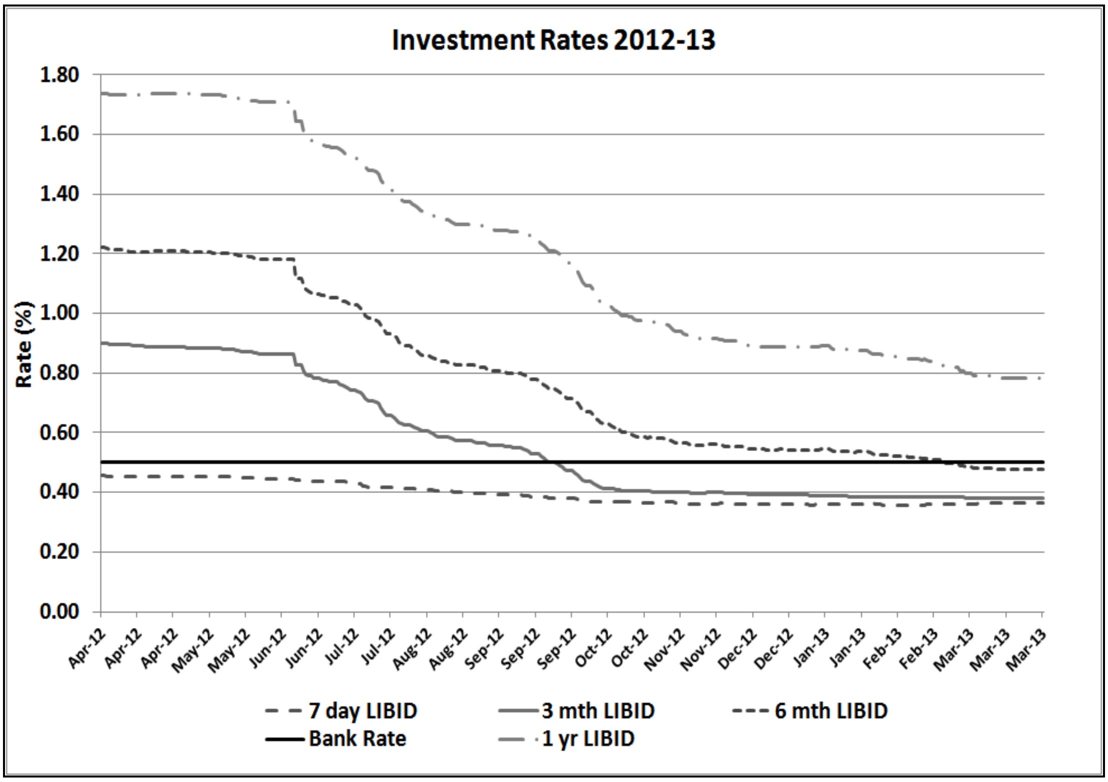
Investment Strategy – The Bank Rate had been unchanged at 0.50% since March 2009. It was forecast to commence rising in Quarter 3 of 2013 and then to rise gently from thereon. Bank Rate forecasts for financial year ends (March) were as follows (compared to the latest position):

	Forecast Per 2012/13 Strategy	Actual/Latest Forecast	
2012/13	0.50%	0.50%	(Actual)
2013/14	1.25%	0.50%	(Forecast)
2014/15	2.50%	0.75%	(Forecast)

The forecast increases in interest rates may well be delayed if the recovery from the recession proves to be weaker and slower than expected.

Investment Rates and Outturn for 2012/13 –The Bank Rate remained at its historic low of 0.50% throughout the year, the same level it has been at since March 2009. Market expectations of the start of monetary tightening (i.e. increases in the Bank Rate) were pushed back during the year to early 2015 at the earliest.

Deposit rates fell sharply during the year, largely due to the Funding for Lending Scheme.



The Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 12 April 2012. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, etc.).

All investments were in accordance with the policy and no institutions with which investments were made had any difficulty in repaying investments and interest in full during the year.

The result of the investment strategy undertaken by the Council in 2012/13 is as follows:

Average Investment	Rate of Return (gross of fees)	Benchmark Return (3 month LIBID uncompounded)
£78,900,000	2.18%	0.56%

The Council have outperformed the benchmark by 1.62% resulting in additional income to the Council of £1,278,200.

This performance is due to the Council undertaking fixed term investments at interest rates that were well above the benchmark with a counterparty which has high creditworthiness (the Bank of Scotland) and in accordance with the Council's investment strategy.

The fall in Deposit Rates during the year means that the Council will not achieve similar performance against the benchmark in future.

5.0 IMPLICATIONS

5.1 Legal: None. Any borrowing or lending is done under the Council's legal powers.

Finance: Through the achievement of exceeding the investment benchmark return rate, the Council has benefited from additional returns of £1,278,200. The Council utilises Treasury Management as part of the overall Financial Strategy and Officers will continue to investigate borrowing and investment opportunities to bring financial benefits to the Council, all within the Treasury Management Policy.

Human Resources: None.

Equalities: None.

6.0 CONSULTATIONS

6.1 This report has been produced based on advice from the Council's treasury advisers (Sector Treasury Services Limited).

7.0 LIST OF BACKGROUND PAPERS

7.1 CIPFA - Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes – 2011 Edition
Inverclyde Council – Treasury Management Strategy 2012/13.

Appendix 1

TREASURY MANAGEMENT
GLOSSARY OF TERMS

Affordable Capital Expenditure Limit
The amount that the Council can afford to allocate to capital expenditure in accordance with the requirements of the Local Government in Scotland Act 2003 and supporting regulations.

Authorised Limit for External Debt
This is a limit for total Council external debt as set by the Council based on debt levels and plans.

Bank of England
The central bank for the UK with ultimate responsibility for setting interest rates (which it does through the Monetary Policy Committee or “MPC”).

Bank Rate
The interest rate for the UK as set each month by the Monetary Policy Committee (“MPC”) of the Bank of England. This was previously referred to as the “Base Rate”.

Capital Expenditure
Expenditure on or for the creation of fixed assets that meets the definition of Capital Expenditure under the accounting rules as set-out in the Code of Practice on Local Authority Accounting in the United Kingdom and for which the Council are able to borrow.

Capital Financing Requirement
The Capital Financing Requirement (sometimes referred to as the “CFR”) is a Prudential Indicator that can be derived from the information in the Council’s Balance Sheet. It generally represents the underlying need to borrow for capital expenditure.

CDS Spread
A CDS Spread or “Credit Default Swap” Spread is the cost of insuring against default by a Counterparty. Increases in the CDS Spread for a Counterparty may indicate concerns within the market regarding a Counterparty.

Certificates of Deposit
Certificates of Deposit (or CDs) are a form of investment and similar to Fixed Term Deposits in that the investment is with a named Bank or Financial Institution, matures on a set date, and is repaid with interest on the maturity date. Unlike a Fixed Term Deposit, a CD can also be traded in the market prior to maturity.

CIPFA
CIPFA is the Chartered Institute of Public Finance and Accountancy who produce guidance, codes of practice, and policy documents for Councils.

Consumer Prices Index
The Consumer Prices Index (“CPI”) is a means of measuring inflation (as is the Retail Prices Index or “RPI”). The Monetary Policy Committee of the Bank of England set the Bank Rate in order to try to keep CPI at or close to the target set by the Government (currently the target is 2%). The calculation of the CPI includes many items of normal household expenditure but the calculation excludes some items such as mortgage interest payments and Council Tax.

Counterparty
Another organisation involved in a deal i.e. if the Council enters a deal with a bank then the bank would be referred to as the “Counterparty”.

Credit Ratings
Credit ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an opinion on the relative ability of a financial institution to meet its financial commitments. Credit ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

The highest credit rating is AAA.

European Central Bank
Sometimes referred to as “the ECB”, the European Central Bank is the central bank for the Eurozone and is the equivalent of the Bank of England. The European Central Bank sets interest rates for the Eurozone.

Eurozone
This is the name given to the countries in Europe that have the Euro as their currency. Interest rates in the Eurozone are set by the European Central Bank. The Eurozone is comprised of the following 17 countries: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Fed Rate
This is the interest rate for the US. Rates for the US are set by the Federal Reserve (the central bank for the US and the equivalent of the Bank of England).

Federal Reserve
Sometimes referred to as “the Fed”, the Federal Reserve is the central bank for the US and is the equivalent of the Bank of England. The Federal Reserve sets interest rates for the US.

Fixed Rate Funding/Investments
This term refers to funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments is fixed and does not change.

Fixed Term Deposit
A Fixed Term Deposit or Fixed Term Investment is an investment with a named Bank or Financial Institution which matures on a set date and which is repaid with interest on the maturity date. Fixed Term Deposits cannot be traded and cannot be terminated before the maturity date without the payment of a penalty (if at all).

Flat Yield Curve
A flat yield curve occurs where the yield for long-term investments is the same or similar to the yield for short-term investments – the period of the investment makes no or little difference to the yield on the investment.

G7/G8/G20
These are forums for discussions by the governments of large world economies.

The G7 is comprised of Canada, France, Germany, Italy, Japan, the UK, and the USA. The G8 is the G7 plus Russia (with the European Union also attending). The G20 is comprised of 19 countries (including the G7 and Russia) plus the European Union.

Gilt Yields
A gilt yield is the effective rate of return that someone buying a gilt at the current market price will receive on that gilt. Since the market price of a gilt can vary at any time, the yield will also vary.

Gilts
Gilts are bonds (i.e. debt certificates) that are issued (i.e. sold) by the UK Government. When they issue gilts the Government sets the interest rate that applies to the gilt, sets when they will repay the value of the gilt, and it agrees to make interest payments at regular intervals until the gilt is repaid or redeemed. Gilts are traded in the financial markets with the price varying depending on the interest rate applicable to the gilt, when the gilt will be repaid (i.e. when it will mature), on Bank Rate expectations, and on market conditions.

Gross Domestic Product
Gross Domestic Product ("GDP") is a measure of the output of goods and services from an economy.

Growth
Positive growth in an economy is an increase in the amount of the goods and services produced by that economy over time. Negative growth is a reduction in the amount of the goods and services produced by that economy over time.

IMF
The International Monetary Fund oversees the world financial system and seeks to stabilise international exchange rates, facilitate development, and provide resources to countries in balance of payments difficulties or to assist with poverty reduction.

Incremental Impact of Capital Investment Decisions
These are Prudential Indicators that reflect the impact on Council Tax of movements in projected and estimated capital expenditure within and between financial years.

Inflation
Inflation is the term used for an increase in prices over time. It can be measured in various ways including using the Consumer Prices Index ("CPI") or the Retail Prices Index ("RPI").

Inverted Yield Curve
An inverted or negative yield curve shows long-term investments having lower yields than short-term investments (an investor gets a better yield by investing for a shorter period).

Investment Regulations
The Local Government in Scotland Act 2003 allows the Scottish Ministers to introduce Regulations to extend and govern the rules under which Scottish Councils may invest funds. The Local Government Investments (Scotland) Regulations 2010 came into effect on 1 April 2010.

LIBID
This is the London Interbank Bid Rate – an interest rate that is used between banks when they wish to attract deposits from each other.

LIBOR
This is the London Inter Bank Offering Rate – an interest rate that is used as a base for setting interest rates for deals between banks.

LOBO
This is a form of loan that the Council has with some lenders. The term is short for the phrase "Lender Option/Borrower Option".

Money Market Fund
A Money Market Fund (or MMF) is a highly regulated investment product into which funds can be invested. An MMF offers the highest possible credit rating (AAA) whilst offering instant access and the diversification of risk (due to the MMF's balances being investing in selected and regulated types of investment product with a range of different and appropriately credit-rated counterparties).

MPC
The MPC or Monetary Policy Committee is a committee of the Bank of England that meets each month (in a meeting over 2 days) to set the Bank Rate for the UK.

Negative Yield Curve
A negative or inverted yield curve shows long-term investments having lower yields than short-term investments (an investor gets a better yield by investing for a shorter period).

Net Borrowing Requirement
This is the difference between the Council's net external borrowing and its capital financing requirement. Under the Prudential Code the Council's net external borrowing should not, except in the short term, exceed its capital financing requirement. The Net Borrowing Requirement should therefore normally be a negative figure.

Operational Boundary
This is a level of debt set by the Council at lower than the Authorised Limit and which Council debt levels should not normally exceed during normal operations.

Positive Yield Curve
A positive yield curve shows long-term investments having higher yields than short-term investments (an investor gets a higher rate yield for investing for longer).

Prudential Code
Councils are required to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements include the production of Prudential Indicators. The Prudential Code was last revised in November 2011.

Prudential Indicators
Indicators set-out in the Prudential Code that will help Councils to meet requirements in relation to borrowing limits or which will help Councils demonstrate affordability and prudence with regard to their prudential capital expenditure.

PWLB
The Public Works Loan Board is a government agency and part of the Debt Management Office. The PWLB provides loans to local authorities and other specified bodies.

PWLB Certainty Rates
In the Budget in March 2012, the Chancellor of the Exchequer announced that local authorities that provide information on their long-term borrowing and capital spending plans would be eligible for a 0.20% discount rate for new PWLB borrowing. This PWLB Certainty Rates came into effect on 1 November 2012.

PWLB Rates
These are the interest rates chargeable by the Public Works Loan Board for loans. The rates for fixed rate loans are determined by the day on which the loan is agreed. The rates to be charged by the PWLB for loans are set each day based on gilt yields at the start of business each day and then updated at least once during the day.

Quantitative Easing
This is the creation of money by a central bank (such as the Bank of England) in order to purchase assets from banks and companies and boost the supply of money in an economy.

Ratings
Ratings are indicators produced by a ratings provider (such as Fitch, Moody's or Standard & Poor's) that aim to give an indication of the financial or operational strength of entities including financial institutions and even countries. Ratings are not guarantees – they are opinions based on investigations and assessments by the ratings providers and they are regularly reviewed and updated. The Council makes use of credit ratings to determine which counterparties are appropriate or suitable for the Council to make deposits with.

Repo Rate
This is another name for the Bank Rate as set by the Monetary Policy Committee.

Retail Prices Index
The Retail Prices Index ("RPI") is a means of measuring inflation (as is the Consumer Prices Index or "CPI"). The calculation of the RPI includes most of the same items as the CPI as well as some items not included in the CPI such as mortgage interest payments and Council Tax whilst excluding items that are in the CPI such as charges for financial services.

Sector
Sector Treasury Services Limited who are the Council's treasury management advisers.

Sovereign Debt
The public/national debt owed by a country or countries.

Treasury Management Code
This is the "Treasury Management in the Public Services: Code of Practice" and is a code of practice for Council treasury management activities. It is produced by CIPFA and was last revised in November 2011.

Treasury Management Indicators
These are Prudential Indicators specifically relating to Treasury Management issues.

Treasury Management Practices (TMPs)
This is a Council document that sets out Council policies and procedures for treasury management as required by the Treasury Management Code. The Council also agrees an annual treasury management strategy that is submitted to Committee in accordance with the Treasury Management Practices.

Variable Rate Funding/Investments
Funding or investments where the interest rate that applies to payments or receipts of interest on the funding or investments varies on an agreed basis.

Yield
The yield is the effective rate of return on an investment.

Yield Curve
A graph showing the yield on investments plotted against the maturity period for investments:
- A positive yield curve shows long-term investments having higher yields than short-term investments (an investor gets a higher rate yield for investing for longer).
- A negative or inverted yield curve shows long-term investments having lower yields than short-term investments (an investor gets a better yield by investing for a shorter period).
- A flat yield curve occurs where the yield for long-term investments is the same or similar to the yield for short-term investments – the period of the investment makes no or little difference to the yield on the investment.

Finance Services
Inverclyde Council
July 2013.

Appendix 2

PRUDENTIAL/TREASURY INDICATORS AND COUNCIL POLICY LIMITS

	Estimate For 2012/13	Actual For 2012/13 To 31/3/2013	Within Limits	
	£million	£million		
PI 7 - Authorised Limit for External Debt (Excl PPP)	246.787	224.411	Yes	
PI 8 - Operational Limit for External Debt (Excl PPP)	240.057	224.411	Yes	
PI 10 - Compliance with CIPFA code			Yes	
	%	%		Comment
PI 11 - Upper limit on fixed interest rate exposure	150.000%	112.967%	Yes	See Note
PI 12 - Upper limit on variable interest rate exposure	40.000%	-12.967%	Yes	See Note
PI 13 Borrowing fixed rate maturing in each period (LOBOs included based on call dates rather than maturity dates)	Upper	Lower	Actual As At 31/3/2013	Within Limits
Under 12 months	40%	0%	0.000%	Yes
1 - 2 years	40%	0%	2.423%	Yes
2 - 5 years	40%	0%	27.054%	Yes
5 - 10 years	40%	0%	34.443%	Yes
10 - 30 years	40%	0%	9.596%	Yes
30 - 50 years	40%	0%	26.484%	Yes
50 years and above	40%	0%	0.000%	Yes
TOTAL			100.000%	
	Limit For 2012/13 £	Maximum In Period £	Within Limit	Comment
PI 14 - Upper limit on sums invested for periods longer than 364 days	10,000,000	0	Yes	---
	CFR At 31/3/2013	Net/Gross External Debt At 31/3/2013	Net/Gross External Debt Below CFR?	
	£million	£million		
Net External Debt Compared To Capital Financing Requirement (CFR)	296.719	230.901	Yes	Indicator Required For 2012/13
Gross External Debt Compared To Capital Financing Requirement	296.719	298.215	NO	Indicator Required From 2013/14
Council Policy Limits				
	Limit per Council Policy	Actual As At 31/3/2013	Within Limits	
Maximum proportion of borrowing at variable interest rates	40%	20.918%	Yes	
Maximum proportion of debt restructuring in any one year	30%	0.000%	Yes	
Maximum proportion of debt repayable in any one year	25%	17.824%	Yes	

Note

The value for PI 12 (Upper Limit on Variable Interest Rate Exposure) is negative whilst the value for PI 11 (Upper Limit on Fixed Interest Rate Exposure) is above 100%. This is due to the indicators being calculated by taking the Council's borrowing less the Council's investments for each type of interest rate taken as a percentage of the Council's total net borrowing. The reason for the unusual indicator figures is that the Council's investments and deposit accounts are at variable interest rates.

Appendix 3

PRUDENTIAL INDICATORS

	2011/12	2012/13
	Actual	**Actual**
Capital Expenditure (Indicator 5)	£000	£000
Non - HRA #	84,860	48,391
HRA ##	0	0
TOTAL	84,860	48,391
Ratio of financing costs to net revenue stream (Indicator 1)		
Non – HRA	10.81%	10.93%
HRA ##	0.00%	0.00%
Net borrowing requirement (Indicator 4)	£000	£000
As At 31 March	-57,092	-61,942
Capital Financing Requirement as at 31 March (Indicator 6)	£000	£000
Non - HRA #	271,948	296,719
HRA ##	0	0
TOTAL	271,948	296,719
	£000	£000
Upper limit for total principal sums invested for over 364 days (Indicator 14)	0	0

- The Indicator includes PPP schools, as required by the accounting rules. The Indicator for 2011/12 is significantly higher than that for 2012/13 due to PPP secondary schools becoming operational during 2011/12.
- The Council undertook Housing Stock Transfer during 2007/08.

Inverclyde council

AGENDA ITEM NO. 5

Report To:	**Policy & Resources Committee**	**Date:**	**13 August 2013**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/52/13/AE/AP**
Contact Officer:	**Angela Edmiston**	**Contact No:**	**01475 712143**
Subject:	**Revenue Budget Outturn 2012/13**		

1.0 PURPOSE

1.1 The purpose of the report is to advise Committee of the unaudited outturn of Service Committee Budgets for the year ending 31 March 2013 and to advise Committee of the position in respect of free General Fund Reserves.

2.0 SUMMARY

2.1 Appendix 1 details the Service Committee outturn (excluding earmarked reserves) per the unaudited accounts for 2012/13 and the variance between the outturn and the projection presented to the Policy & Resources Committee at Period 11. The Appendix shows an increase in the underspend reported to the last Policy & Resources Committee (Period 11) of £474,000, which is 0.27% of the projected outturn reported in March 2013.

2.2 The Service Committee outturn per the unaudited accounts shows an underspend for 2012/13 of £2,835,000 (Appendix 2) for all Service Committees, this represents an underspend of 1.6% against 2012/13 revised budget of £176,931,000. The main areas of underspend relate to:

- Additional turnover savings achieved across the Council of £760,000.
- Release of contingencies not required throughout 2012/13 £580,000.
- Share of Police and Fire Reserves £967,000.
- Additional Internal Resources Income earned of £142,000.
- Charging order income recovered/recovery of client contributions £300,000.
- Underspend within Waste Strategy, Refuse Transfer Station of £233,000.

2.3 Overall it is encouraging that the Council contained costs within approved budgets and whilst the level of underspend is £2.835 million, it represents 1.6% of the Service Committee budget. Excluding the one off receipt of Police & Fire reserves and one off payments from external sources, the net underspend is £1.57 million or 0.9%. Most areas of significant variance were reviewed during the budget set in February 2013.

2.4 In addition to the underspend across Committees, the Council underspent on Loans Charges by £277,000 and £181,000 of Earmarked Reserves were written back to the General Fund. Overall, the unaudited accounts position reflects a free reserves position of £5.570m which is an increase of £1.570m since the budget was set in February 2013.

2.5 In line with a previous decision of the Committee decisions on the use of the surplus free reserves of £1.57 million will be taken at the first Committee following the audit of the 2012/13 accounts. This will be the November Policy & Resources Committee. Prior to this the Corporate Management Team are available to engage with members to help develop proposals.

3.0 RECOMMENDATIONS

3.1 That the Committee note the Service Committee underspend per the unaudited accounts for 2012/13 of £2,835,000 and the information contained in the various appendices.

3.2 That the Committee note that decisions on the surplus free reserves are scheduled to be taken at the November Policy & Resources Committee.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The purpose of this report is to advise Committee of the outturn position per the unaudited accounts for 2012/13 and to highlight the main issues contributing to the Service Committee underspend of £2,835,000. The report also details the movement since the Period 11 monitoring report.

5.0 2012/13 POSITION

5.1 It can be seen in Appendix 1, that there was a movement of £474,000 since the last report to the Policy & Resources Committee in May 2013. Appendix 1 details the movement in underspend per Service Committee. The main reason for the movement relates to the share of Police & Fire Reserves. There are minor movements only few of which exceed £50,000.

5.2 It can be seen from Appendix 2 that the Service Committee outturn per the unaudited accounts for 2012/13 is an underspend of £2,835,000 for all Service Committees. The outturn comprises an underspend of £2,476,000 within the Policy & Resources Committee, £228,000 within Environment & Regeneration Committee, £20,000 within Education & Communities and £111,000 within Health & Social Care.

5.3 Main areas of underspend relate to additional turnover savings achieved, the release of contingencies not required, share of Police & Fire Reserves, income from external parties, additional Internal Resources Income earned and underspends within Waste Strategy and Refuse Transfer Station. Appendix 3 provides more detailed material variances and reasons behind the underspend on a Committee by Committee basis.

5.4 Further detailed reports on the 2012/13 outturn will be submitted to individual Committees with the first Revenue Monitoring Report for 2013/14 during the new Committee cycle.

6.0 NEXT STEPS

6.1 The accuracy of budgeting and projections is an important measure of the Council's Financial Management performance. Whilst the figures mentioned in this report may appear large, the percentage movements are relatively small. That said, improvements should be continuously sought.

6.2 As part of the 2013/16 budget, all budgets which had a material projected variances in 2012/13 were examined to ascertain the appropriateness of the level of budget and action taken during the budget setting exercise.

6.3 In line with a previous decision of the Committee, decisions on the use of the surplus free reserves of £1.57 million will be taken at the first Committee following the audit of the 2012/13 accounts. This will be the November Policy & Resources Committee. Prior to this the Corporate Management Team will engage with members if required to help develop proposals.

7.0 EQUALITIES

7.1 There are no equality issues arising from this report.

8.0 CONSULTATIONS

8.1 The Corporate Management Team has been consulted in the preparation of this report.

Appendix 1

POLICY & RESOURCES

REVENUE BUDGET PROJECTED POSITION AT PERIOD 11 TO PROVISIONAL OUTTURN

2011/12 Actual £000	OBJECTIVE ANALYSIS	Approved Budget 2012/13 £000	Revised Budget 2012/13 £000	P 11 Projected Out-turn 2012/13 £000	Unaudited Outturn 2012/13 £000	Movement from P11 £000	Movement as % of Period 11 Projection
21,245	Policy & Resources	29,486	29,147	27,926	27,257	(669)	-2.40%
80,966	Education & Communities	85,964	80,790	80,502	80,750	248	0.31%
19,256	Environment & Regeneration	23,587	19,236	19,153	18,911	(242)	-1.26%
47,258	Health & Social Care	48,230	47,758	47,452	47,641	189	0.40%
168,725	**COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES**	**187,267**	**176,931**	**175,033**	**174,559**	**(474)**	

Note: Below is a list of the material variances impacting on Service Committee outturn compared to period 11 projection. Further under and over spends were incurred across Services none of which were material.

1	Share of Fire Reserves	(381,000)
2	Further overspend in Catering Provisions, Milk & Cleaning Materials	54,000
3	Underspend Benefit Subsidy	(72,000)
4	Recovery of Clothing Bank Income	(35,000)
		(434,000)

POLICY & RESOURCES

Appendix 2

REVENUE BUDGET PROVISIONAL OUTTURN

2011/11 Actual £000	Committee	Approved Budget 2012/13 £000	Revised Budget 2012/13 £000	Unaudited Outturn 2012/13 £000	Variance £000	Variance as % of Revised Budget
21,245	Policy & Resources	29,486	29,147	26,671	(2,476)	-8.49%
80,966	Education & Communities	85,964	80,790	80,770	(20)	-0.02%
19,256	Environment & Regeneration	23,587	19,236	19,008	(228)	-1.19%
47,258	Health & Social Care	48,230	47,758	47,647	(111)	-0.23%
168,725	**COMMITTEE NET EXPENDITURE EXCLUDING EARMARKED RESERVES**	**187,267**	**176,931**	**174,096**	**(2,835)**	

POLICY & RESOURCES COMMITTEE

1	Turnover savings for Committee	(350,000)
2	Underspend in Contingencies	(580,000)
3	Share of Police Reserves	(586,000)
4	Share of Fire Reserves	(381,000)
5	Over Recovery of IRI	(142,000)
6	Funding for Estate recovery	(79,000)
7	Underspend in audit fee	(17,000)
8	Shortfall in prior years CT Income Target	100,000
9	Underspend in Benefit Subsidy	(152,000)
		(2,187,000)

EDUCATION & COMMUNITIES

1	Additional Turnover savings for Committee	(44,000)
2	Income shortfall for OLA's	41,000
3	Underspend within SPT contract	(43,000)
		(46,000)

HEALTH & SOCIAL CARE

1	Additional Turnover savings for Committee	(169,000)
2	Charging order income	(221,000)
3	Overspend in client commitments within LD	254,000
		(136,000)

ENVIRONMENT & REGENERATION

1	Additional Turnover savings for Committee	(197,000)
2	Planning income shortfall	207,000
3	Ind & Commercial rent over recovery	(65,000)
5	Overspend provisions, milk & cleaning materials	79,000
6	Under recovery of trade waste income	71,000
7	Underspend in waste disposal due to decreased tonnages	(233,000)
9	Clothing bank income unbudgeted	(35,000)
		(173,000)

POLICY & RESOURCES COMMITTEE

1. **Additional Turnover Savings – Outturn Underspend £350,000, Movement Underspend £12,000**

   The Services within the Policy & Resources Committee achieved additional turnover savings of £350,000 in 2012/13. This was mainly early achievement of approved efficiency savings, an increase of £12,000 since reported to the Policy & Resources Committee in May 2013.

2. **Contingencies – Outturn Underspend £580,000, Movement Underspend £0**

   Due to limited calls made on the Contingencies in 2012/13, the Miscellaneous Service produced a saving of £580,000. The saving has been generated from the General contingency and Inflation contingency and was fully reported to the last Committee.

3. **Internal Resources Income – Outturn Underspend £142,000, Movement Underspend £0**

   There was an increase in the Internal Resources Interest received of £142,000 more than budgeted in 2012/13 and was fully anticipated in the projection reported to the Policy & Resources Committee in May 2013.

4. **Share of Police & Fire Reserves – Outturn Underspend £967,000, Movement £346,000.**

   The Council received notification from the Joint Boards of their share of the uncommitted Police and Fire reserves at the year end. An estimate of £621,000 for the Police reserves was included when preparing the May Committee report.

5. **Computer Software/Hardware & Whiteboard Maintenance – Outturn Underspend £77,000, Movement £49,000**

   Underspends occurred within computer software, hardware and whiteboard maintenance of £77,000 for 2012/13, £28,000 was reported to the last Committee and was mainly due to the new Virgin Media contracts. There was an increase in the underspend since the last report of £49,000 and is mainly due to year end adjustments for prepayment of maintenance contracts which had been incorrectly projected as a 12/13 commitment.

6. **Housing Benefit Subsidy – Underspend £152,000, Movement Underspend £72,000**

   The final Benefit Subsidy Claim produced in April 2013 reflected an actual underspend of £152,000 for 2012/13 mainly due to a lower than anticipated uptake within homelessness units. This is an increase in the underspend reported to the May Committee of £72,000.

7. **Recovery of Income – Outturn Underspend £79,000, Movement £6,000.**

   The Council recovered £79,000 for a client contribution towards care. This was reported to the Committee in May 2013 through the reserves statement.

ENVIRONMENT & REGENERATION COMMITTEE

1. **Additional Turnover Savings – Outturn Underspend £197,000, Movement Overspend £7,000**

   The Services within the Environment & Regeneration Committee achieved additional Turnover Savings of £197,000 in 2012/13. This was a reduction of £7,000 in the underspend reported to the last Committee, however included in the underspend are costs associated with the Living Wage. This was estimated and reported to the Policy & Resources Committee within the reserves statement.

2. **Industrial and Commercial Rent Income – Outturn Over Recovery £65,000, Movement Over Recovery £16,000**

   The Committee over recovered Industrial & Commercial Rent income by £65,000 in 2012/13 due to higher than anticipated lets and backdated charges received. This is an increase in the underspend reported to the last Committee of £16,000.

3. **Refuse Transfer Station/ Waste Strategy/ Refuse Collection/ – Outturn Underspend £233,000, Movement Overspend £16,000**

   Due to decreased tonnages and delay in the implementation of the food waste, the Council underspent within Waste Strategy and Refuse Collection by £233,000. This is a reduction in the underspend reported to the last Committee of £16,000 which is offset by increased income for clothing banks (see point 4 below).

4. **Clothing Bank Income – Outturn Over Recovery £35,000, Movement Over Recovery £35,000**

   The Committee received income of £35,000 at the year end generated from clothing banks; this was not budgeted or reported at the last Committee.

5. **Provisions, Milk and Cleaning Materials – Outturn Overspend £79,000, Movement Overspend £54,000**

   There was an overspend in Catering Provisions, milk and cleaning materials for 2012/13 of £79,000. This is as a result of increasing inflation on food and milk prices and changes to legislation on cleaning procedures. The movement since the last report to Committee is primarily as a result of increased costs of provisions and milk without a corresponding increase in Education recharges. Given the volatility in food prices this was difficult to project accurately.

6. **Planning Income – Outturn Under Recovery £207,000, Movement Over Recovery £9,000**

   Resulting from the current downturn in the economy, there has been an under recovery of Planning Income. This has been an improvement in income from that projected at the Period 11 Committee. It should be noted that this budget is difficult to predict as it is demand led.

7. **Trade Waste Income – Outturn Under Recovery £71,000, Movement Under Recovery £6,000.**

   As a result of the current climate, there is an under recovery of Trade Waste income for 2012/13. This was anticipated at the period 11 Committee report. The outturn is in line with the11/12 outturn, Finance is working with the service to address the budget shortfall in 2013/14.

EDUCATION & COMMUNITIES

1. **Additional Turnover Savings – Outturn Underspend £170,000, Movement Underspend £16,000**

   The Committee achieved additional Turnover Savings of £170,000 which is a movement of £16,000 since the last report to Committee. Included in the underspend are costs associated with the Living Wage and these were estimated and reported to Policy & Resources Committee within the reserves statement.

2. **Teachers Salaries – Outturn Overspend £126,000, Movement Overspend £57,000**

   The Committee produced an overspend within Teachers' Salaries for 2012/13 of £126,000 (0.34% of revised budget), an increase in the overspend reported to the last Committee of £57,000 (0.16% of revised budget) and relates to additional cover required across schools and ASN units (partially offset by ASN placement underspend at point 5).

3. **Income from Other Local Authorities – Outturn Under Recovery £41,000, Movement Under Recovery £41,000.**

   There was an under recovery of income from other Local Authorities due to a drop in children numbers after the Christmas. The reduction in pupil numbers was not reported to previous Committees correctly.

4. **ASN/SPT School Transport – Outturn Overspend £27,000, Movement Overspend £54,000**

   There was an overspend on SPT Contracts and ASN Transport of £27,000 in 2012/13 mainly due to fluctuating pupil numbers during the academic year.

Information regarding pupil numbers is not received from SPT until the year end making it difficult to provide an accurate projection throughout the year.

5. **ASN Placements – Outturn Underspend £70,000, Movement Underspend £30,000**

   The Committee is reporting an underspend of £70,000 on ASN Placements in line with the Service plan to maintain pupils within mainstream Education Service within Inverclyde. This is an increase of £30,000 since the last report to Committee which is due to anticipated cross boundary charges lower than projected at period 11.

HEALTH & SOCIAL CARE COMMITTEE

1. **Additional Turnover Savings – Outturn Underspend £169,000, Movement Overspend £36,000**

   The Committee produced additional turnover savings for 2012/13 of £169,000; this is a reduction of £36,000 since the last report. The outturn figure includes associated Living Wage costs previously reported to the Policy & Resources Committee within the Reserves Statement.

2. **Charging Order Income – Outturn Over Recovery £221,000, Movement Over Recovery £36,000**

   The Committee successfully recovered £221,000 for charging orders outstanding against properties; this is an increase of £36,000 since reported to the last Committee. Given the nature of this income it is not possible to project the frequency or level of income expected in any period, however as part of the 2013/16 budget an annual income of £60,000 is now included within the Social Work budget

3. **Client Commitments Learning Disability – Outturn Overspend £254,000, Movement £0**

   Client Commitments overspent by £254,000 during 2012/13 and was fully anticipated at the last report to Committee. There was no movement from period 11. It should be noted that £450k pressure funding was added to the 2013/14 budget, rising to £1 million by 2015/16 for existing and expected client pressures.

4. **Utility Costs – Outturn Overspend £40,000, Movement Overspend £40,000**

   Due to a dispute with a utility provider, a provision was made at the year end of £40,000 to cover potential gas costs. This overspend was not quantified to the last Committee however, the issue was identified and Committee advised appropriate treatment would be applied as part of the year end process.

Inverclyde council

AGENDA ITEM NO. 6

Report To:	**Policy & Resources Committee**	**Date: 13th August 2013**
Report By:	**Corporate Director Environment, Regeneration and Resources**	**Report No: PR/095/13/AF/ag**
Contact Officer:	**Andrew Gerrard**	**Contact No: 01475 712456**
Subject:	**Major Capital Investment in Councils – Accounts Commission Report**	

1.0 PURPOSE

1.1 The purpose of this report is to highlight to Committee the main messages coming from the Accounts Commission document – Major Capital Investment in Councils which was published in late March 2013 and to advise Committee on the implications of the recommendations.

2.0 SUMMARY

2.1 Local authorities have invested £27billion between 2000/01 and 2011/12 and Audit Scotland on behalf of the Accounts Commission investigated how this was spent and how it was funded. This has led to a number of recommendations for Local Authorities.

2.2 The document is split into 3 : Capital investment in Councils, Delivering major capital projects within time and cost targets and Managing capital projects and investment programmes. Each section gives an overview of issues identified by Audit Scotland and contain a key messages section.

2.3 The main messages contained in the document are as follows:

a) Since 2000/01 Councils have invested £27billion in real terms in building and maintaining assets and infrastructure
b) Councils increased borrowing in recent years during a period of wider public sector spending constraint. Councils anticipate they will spend less in future years
c) Accurate cost estimates are important from the outset of major projects
d) Councils have improved governance structures for investment decision making however weak processes for developing business cases were identified.

2.4 The report made a number of key recommendations. Councils should

a) Develop and confirm long term investment strategies to set out the needs and constraints for local capital investment.
b) Assess the appropriateness of using borrowing and private finance within the investment strategy.
c) Actively look for opportunities for joint working with other Councils, community planning partners and public bodies.
d) Improve the quality of capital project and programme information that is routinely provided to members.
e) Carry out early assessments of risk and uncertainty to improve the accuracy of estimating of early stage costs and timescales.
f) Consider developing a continuing programme of training for elected members on capital issues.
g) Collect and retain information on all projects including explanations for time scope and cost changes and lessons learned.

h) Develop and use clearly defined project milestones for monitoring and reporting.

3.0 RECOMMENDATIONS

3.1 That the Committee note the publication of the report, its recommendations and the action proposed to implement these where they apply to Inverclyde Council; and.

3.2 That a further report on progress of the implementation of the action plan be submitted for Members' consideration in 12 months' time.

Andrew Gerrard
Head of Property Assets and Facilities Management

4.0 BACKGROUND

4.1 Audit Scotland on behalf of the Accounts Commission conducted a study into capital investment by Local Authorities It focused on major capital projects over £5million in value and assessed how well Councils direct, manage and deliver capital investments.

4.2 63 completed projects were analysed. Of these one was an Inverclyde project, the Schools PPP project. This project fared well compared to others. 16 PPP projects were analysed and Inverclyde's was one of six which finished at or within the original estimate. It was also completed on time compared to the initial estimate. This was achieved by only 19% of the projects analysed

4.3 The first part of the report gave an overview of Capital Investment in Councils. Audit Scotland noted that Councils had invested £27billion since 2000/01. Of this £23billion was capital funding and £4billion was private funding via PFI or NPD schemes. Councils have increased borrowing in recent years. 121 major projects worth £3.5billion have been completed in the last 3 years with 203 major projects in progress with a value of £5.1billion. Schools remain the highest priority.

4.4 The second part of the report was concerned with delivering major capital projects within time and cost targets. Audit Scotland noted that early estimates of the expected costs and timescales were inaccurate, with only two thirds of projects coming in within the initial estimate. Accuracy increased significantly as projects advanced, plans became clearer and contracts were awarded. It was also noted that accuracy was much better for schools projects.

4.5 The third part of the report dealt with managing capital projects and investment programmes. Audit Scotland noted that Councils have improved governance structures for investment planning in recent years but still do not have enough monitoring information to scrutinise effectively. Reliable, accurate, realistic and publicly available information is required for governance to be effective. Councils' investment plans and financing are uncertain with investment decreasing to 2014/15 and the position uncertain after that. Borrowing will remain the main source of finance for investment spending. Many Councils do not have established processes for developing and using business cases; where available they are often short and highly summarised. Without good quality and realistic business cases key performance information may not be clearly defined. Councils are clear about the broad goals for their investment programmes however intended benefits are often high level and measurable benefits are rarely specified. Councils have evaluated about half of recently completed projects to assess if they have delivered the intended benefits.

5.0 AUDIT SCOTLAND RECOMMENDATIONS AND IMPLEMENTATION IN INVERCLYDE

5.1 Inverclyde Council has in the period covered by the report undertaken significant capital investment through the School Estate Management Plan, Leisure Strategy, Offices and Depots Strategy and Roads Asset Management Plan. These are mature plans and with the exception of the School Estate Management Plan will be completed within the next two years. These programmes have, to date been successful in achieving the Council's aims however there are improvements which can be made to processes and procedures. It is however the case that Capital investment after 2014/15 will be much more limited in scope than has been the case in recent years and will be much more focused on maintaining the condition of the existing stock

5.2 Audit Scotland Recommends the following

Councils should

1. *Carry out early assessment of risk and uncertainty to improve early stage estimating of the cost and time of projects risk assessment should take into account experience and expertise gained from previous projects and the*

potential for risk with projects that are relatively novel.

Inverclyde Council has always put in place both programme and risk registers. In general programmes have been maintained within budget although individual projects have varied in cost. Refurbishment projects have generally come in on budget but some have encountered unforeseen issues on site which have caused overspends. A more considered view is required at an early stage of the level of contingency required.

2. *Collect and retain information on all projects including explanations for cost time and scope changes and lessons learned.*

   This is currently done and changes to cost time and scope are reported to Committee as they occur although there is a need to collate lessons learned information more formally.

3. *Report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other Councils*

   Committee reports are available on the website. Consideration should be given as to how to share lessons learned better across services and with other councils.

4. *Develop and confirm long term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders such as service users and suppliers as they develop these strategies.*

   The Council has been very effective in this, with most investment over the past few years being carried out as part of an overall investment strategy or asset management plan, the most significant being the School Estate Management Plan. All plans and strategies have been the subject of significant consultation.

5. *Assess the overall appropriateness of using borrowing and private finance within the investment strategy. The strategy should balance the costs, risks and rewards of using these methods to ensure plans are financially sustainable and help the Council achieve value for money.*

   The School Estate management plan is an example of good practice in this area, with a mix of traditional capital, prudential borrowing, capital receipts and private finance being used to create a balanced funding model. This is reviewed twice yearly to ensure that any necessary adjustments are made. All investment funding forms part of the Council's overall Financial Strategy.

6. *Establish standard criteria for the content of business cases that reflect good practice and establish clearly defined project milestones for monitoring and reporting.*

   The requirements for a business case are stated in the financial regulations Paragraph 10.3. There is however scope for the production of a more detailed procedure note for business cases.

7. *Prepare detailed and robust business cases for every project. These should cover the intended aims and benefits, option appraisal, risk assessment and cost, time and scope targets.*

   The requirement for a business plan to be prepared for capital projects and the requirements it should meet is stated in the financial regulations Paragraph 10.3.

8. *Actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement.*

   The Council, through the CHCP is heavily engaged with joint working with the Greater Glasgow and Clyde Health Board and is also a participant in the West Hub for procurement of major projects and the West Hub Development Forum for shared asset management. Shared Services with Renfrewshire and East Renfrewshire Councils are being actively pursued in respect of Roads and ICT, with initial discussions on Property commencing imminently.

9. *Improve the quality of capital project and programme information that is routinely provided to elected members. Information should cover*
   - *Annual financial performance against the capital budget*
   - *Project and programme level performance against cost, time and scope targets.*
   - *Risk reporting (including identification, likelihood, financial impact and actions taken)*
   - *An assessment of intended and realised benefits*

   Generally the first two points are reported to members via Committee reports. Risk Registers are maintained but tend to be reported to officer groups such as the School Estate Programme Board and the Assets Corporate Improvement group. Consideration should be given to more regular reporting of these to Committee. Intended benefits are reported to committee via business cases however there is a need to report to Committee post completion on realised benefits

10. *Consider developing a continuing programme of training for elected members on capital issues, using external advisers if necessary.*

    This should be implemented with a briefing for member being developed

11. *Consult with stakeholders on the capital programme to ensure stakeholders are fully aware of council capital spending priorities and plans. This may create opportunities to generate efficiencies over the whole programme rather than restricting it to specific project issues.*

    The Council carries out extensive consultation with stakeholders, both for overall programmes and for individual projects.

12. *Improve how they manage risk and report on programme level risk to members. Reports should provide details on the likelihood of risks occurring, potential impact and what proposals are in place to lessen the impact of risk.*

    Officers have a clear understanding of Risk and risk registers are prepared for both programmes and project. Advice is also available from the Corporate Risk Advisor. As previously stated however reporting on risk to members should be improved.

13. *Carry out post project evaluations within six months of a project being completed to find out if the projects have delivered, or are on course to deliver, the intended benefits and to learn lessons. The results should be reported publicly.*

    The Council practice is to carry out post occupancy evaluation for all major projects however a lack of resources has prevented this from being implemented in all cases. This is a common problem across all Councils. Efforts should be made to carry these out for recent projects. It should be noted that the 6 month period recommended is much sooner than recommended by Scottish government guidance on post occupancy evaluation for schools which recommends carrying out the evaluation after a minimum of 12 months.

14. *Ensure lessons learned from projects are shared across services and other councils to help improve the successful delivery of future projects to time and cost targets.*

    The Council has previously submitted case studies of new schools to the Scottish government for publication and participates in workshops with other Councils on a variety of projects. This should be continued and expanded.

6.0 CONCLUSIONS

6.1 The Report highlights the considerable capital investment which has been made by local authorities since 2000. It notes that this level of investment is likely to decline given the issues with funding wok in the current economic climate. It highlights the need for good initial estimates as costs and timescales are prone to underestimation at this stage, although accuracy improves significantly as projects are developed. It also notes that Councils have improved their governance structures but improvements are required in the development of business cases.

6.2 The only Inverclyde Council project examined, the Schools PPP project performed well in both time and cost estimating.

6.3 Inverclyde Council has made very significant capital investment since 2004, this has mainly been in strategic programmes and has been well managed, forward planning has been good and while individual projects have varied in cost, overall programmes have been kept on budget. Timescales have slipped on occasion, with the most significant being where projects have been completely rescoped e.g. Rankin Park. This has led to issues in the past although 2012/13 was much improved.

6.4 The report makes a number of recommendations which are detailed in section 5, together with recommended action for the Council. These actions are summarised in appendix A. While the Audit Scotland Report deals with projects over £5million in value, it is recommended that Inverclyde Council applies the recommendations to projects over £2million in value. The Head of Property Assets and Facilities Management in his capacity as Chair of the Capital and Asset Management Sub group (CAMS) will lead implementation of the action plan with other Heads of Service contributing where they have responsibility for major projects. The Assets Corporate Improvement Group will monitor the implementation of the action plan.

7.0 IMPLICATIONS

7.1 There are no financial, HR or legal implications arising from this report.

8.0 BACKGROUND PAPERS

Major Capital Investment in Councils – Accounts Commission 2013
Major Capital Investment in Councils Key Messages – Accounts Commission 2013
Good Practice guide - Major Capital Investment in Councils – Accounts Commission 2013
Checklist for Project Managers - Major Capital Investment in Councils – Accounts Commission 2013

Appendix A

Summary of Recommended Actions

No	Audit Commission Recommendation	Council Action	Responsible Officer	Implementation by
1	Carry out early assessment of risk and uncertainty to improve early stage estimating of the cost and time of projects risk assessment should take into account experience and expertise gained from previous projects and the potential for risk with projects that are relatively novel.	A review of the level of contingencies should be carried out at the time of the initial cost estimate being prepared. For projects over £5m this should be signed off by the Assets CIG and for other projects by the Head of PAFM	Head of PAFM(Lead) other Heads of Service as Required.	August 2013
2	Collect and retain information on all projects including explanations for cost time and scope changes and lessons learned.	Carry out a post completion review of major projects and issue lessons learned information	Head of PAFM(Lead) other Heads of Service as Required.	August 2013
3	Report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other Councils	Post completion reviews to be reported to the Assets CIG and published on the website	Head of PAFM(Lead) other Heads of Service as Required.	August 2013
4	Develop and confirm long term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders such as service users and suppliers as they develop these strategies.	Develop investment strategy for assets not included in previous and current strategies	Head of PAFM(Lead) other Heads of Service as Required.	March 2014
5	Assess the overall appropriateness of using borrowing and private finance within the investment strategy. The strategy should balance the costs, risks and rewards of using these methods to ensure plans are financially sustainable and help the Council achieve value for money.	Note and apply where necessary in developing future strategies	Chief Financial Officer	N/A
6	Establish standard criteria for the content of business cases that reflect good practice and establish clearly defined project milestones for monitoring and reporting.	Produce procedure note for development of Business Cases	Head of PAFM	December 2013
7	Prepare detailed and robust business cases for every project. These should cover the intended aims and benefits, option appraisal, risk assessment and cost, time and scope targets	Note. This is a requirement of the financial Regulations		
8	Actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement.	Explore opportunities for shared services for property with East Renfrewshire and Renfrewshire under the current Shared services arrangements. Carry out joint capital planning for CHCP projects with GG&C Health Board. Participate in West Hub Scotland for procurement of major capital projects	Head of PAFM/E&C/ICT as appropriate	March 2014

9	Improve the quality of capital project and programme information that is routinely provided to elected members. Information should cover • Annual financial performance against the capital budget • Project and programme level performance against cost, time and scope targets. • Risk reporting (including identification, likelihood, financial impact and actions taken) • An assessment of intended and realised benefits	The first two points are covered under existing reporting procedures. In terms of Risk reporting, the Risk registers routinely reported to Programme boards should also be reported to the Service Committee. An assessment of intended and realised benefits should be reported as part of post project evaluation. See item 13.	Head of PAFM(Lead) other Heads of Service as Required.	December 2013
10	Consider developing a continuing programme of training for elected members on capital issues, using external advisers if necessary.	Develop programme of Training for Members	Head of PAFM	March 2014
11	Consult with stakeholders on the capital programme to ensure stakeholders are fully aware of council capital spending priorities and plans. This may create opportunities to generate efficiencies over the whole programme rather than restricting it to specific project issues.	Extensive consultation already takes place on both Programmes and individual projects. No further action proposed.		
12	Improve how they manage risk and report on programme level risk to members. Reports should provide details on the likelihood of risks occurring, potential impact and what proposals are in place to lessen the impact of risk	This is dealt with in item 9.		
13	Carry out post project evaluations within six months of a project being completed to find out if the projects have delivered, or are on course to deliver, the intended benefits and to learn lessons. The results should be reported publicly.	This is already a Council Procedure for major Education Projects. The process should be rolled out to other major capital projects. It should be noted that the six month timescale is at variance with Scottish Government advice for post occupancy evaluation of a year to eighteen months and it is intended to follow the latter.	Head of PAFM(Lead) other Heads of Service as Required.	December 2013
14	Ensure lessons learned from projects are shared across services and other councils to help improve the successful delivery of future projects to time and cost targets.	Lessons learned are already shared across Services. Post Occupancy Evaluations and Case Studies are submitted to the Scottish Government for dissemination. No new action required.		

Major capital investment in councils

Accounts Commission

Prepared by Audit Scotland
March 2013

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key facts

£27 billion — The total value of capital investment by councils between 2000/01 and 2011/12

121 projects £3.5 billion — The total number and cost of major capital projects that councils completed in the three years to March 2012

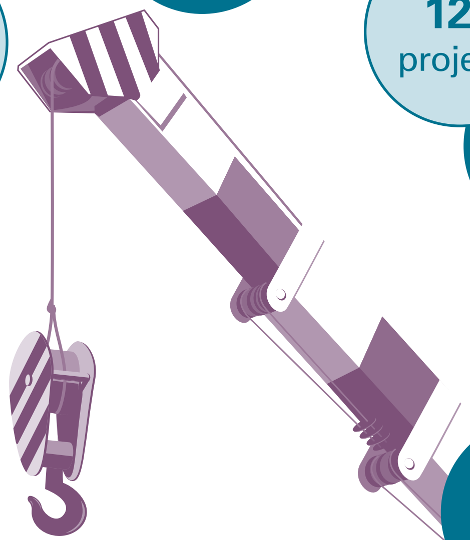
84 primary secondary 72 £2 billion — The number and cost of new and refurbished schools in our sample that councils completed in the three years to March 2012

£35 billion — The combined book value of council assets at March 2012

£12.9 billion — The combined indebtedness of councils at March 2012

40 per cent — The percentage of major investment projects in our audit completed within the initial cost estimate

203 projects £5.1 billion — The number and estimated cost of major capital projects that councils are currently progressing



Councils’ capital investment involves spending on property and other assets that councils will use over many years to provide public services

Background

1. Councils' capital investment involves spending on property and other assets that councils will use over many years to provide public services. It includes spending on new buildings such as new and refurbished schools, social housing, sports and community centres and care homes for older people. As well as new facilities, councils must also invest to maintain and repair their existing property assets such as local roads, schools and social housing.

2. The 32 councils in Scotland spend significant amounts of money on capital investment every year and this has increased steadily in real terms – that is, allowing for the effects of inflation – since 2000/01. In 2011/12, they spent £2.4 billion on capital investment, in addition to their £18 billion revenue spending that year – that is, spending on the day-to-day cost of providing services. Capital investment in 2011/12 was the highest in real terms in any year since 2000/01.

3. Improving facilities and other assets can help councils deliver services more efficiently and effectively and enhance people's experiences of council services. Councils' capital investment can help to:

- sustain and improve public services and achieve service plans and local outcomes – that is, the local priorities that councils have agreed to deliver
- improve the overall efficiency of how councils manage their properties and reduce costs in the long term (this includes reducing carbon emissions and helping to contain the effect of rising energy prices)
- boost economic growth and stimulate economic recovery, by providing employment opportunities in construction and engineering and wider commercial opportunities for local and national businesses
- achieve a wide range of other goals and objectives, in accordance with local priorities.

4. Councils make their own decisions about capital investment and must ensure their spending plans are prudent, affordable and sustainable. Planning capital investment requires a long-term and strategic outlook. Councils must also select, design and deliver individual investment projects to a high standard. Elected members are important decision-makers for capital investment and have a fundamental role in ensuring that councils deliver investment plans successfully. Effective governance arrangements that manage, challenge and scrutinise how programmes are delivered, and strong financial, project and risk management are all important to ensure that investment provides value for money.

5. Councils pay for capital investment from a range of sources. Mainly they borrow for capital investment, so that the cost spreads over many years. They also pay for investment through Private Finance Initiative (PFI) and Non-Profit Distributing (NPD) contracts, which also allow the costs to be spread over a longer time.[1] Central government grants are the second main source of funding for investment and the Scottish Government therefore has a strategic role in shaping and supporting councils' investment, particularly for schools, housing and transport infrastructure. Councils also use money transferred from revenue budgets and income from selling property for capital investment. But these and other sources provided less than a fifth of the total capital investment by councils in 2011/12.

6. Over the two years to 2014/15, the public money available for capital investment across the public sector is forecast to decrease significantly and the position in later years is expected to face similar reductions. It will be vital for elected members and council officers to set clear priorities and provide strong leadership and effective management to ensure value for money from their capital investment programmes.

About this audit

7. Audit Scotland has reported previously on some major capital projects and initiatives in councils.[2] We have also reported on the management of major capital projects in other parts of the public sector.[3] However, this audit provides the first comprehensive review of major capital investment within councils. It focuses on major capital projects over £5 million each and assesses how well councils direct, manage and deliver capital investments. In doing so, it reviews the level, type and financing methods of investment spending in councils. It also examines how well councils manage their investment spending as a programme and their performance in delivering major capital projects against time and cost targets.

8. The report has three parts:

- Capital investment in councils (Part 1).
- Delivering major capital projects within cost and time targets (Part 2).
- Managing capital projects and investment programmes (Part 3).

1 These methods do not involve using a council's capital budget. Instead, the council meets the cost of providing each project over typically 25 to 30 years or more through ongoing revenue payments to the providers over the life of the contract. These payments cover the costs of construction as well as service and maintenance costs. For accounting purposes, PFI projects are now usually reflected in council balance sheets.

2 In particular, in recent years, *Commonwealth Games 2014 – position statement* (2012 and 2009), *Edinburgh trams interim report* (2011), *Maintaining Scotland's roads – a follow-up* (2011), *Improving the schools estate* (2008).

3 *Management of the Scottish Government's capital investment programme* (2011); *Review of major capital projects in Scotland* (2008).

9. In Part 1, we detail how much councils spend on capital investment, what it delivers and how it is funded and financed. Part 2 focuses on councils' performance in delivering individual major capital projects to cost and time, based on our examination of recently completed projects and projects currently in progress.[4] Part 3 assesses councils' broader capital planning and management capabilities, including areas where councils need to make improvements to help achieve value for money from their capital investment.

10. We have also published a good practice guide as part of the *How councils work* series to help councils make improvements where necessary.[5]

11. The report draws on a number of sources including the following:

- An initial survey of all 32 councils to establish the total number of major capital projects, both recently completed and currently in progress.
- A review of 63 recently completed major capital projects in councils with a combined cost of £2.9 billion, assessing how they performed against cost and time targets and other aspects.[6]
- A review of 15 major capital projects in progress in nine councils at April 2012, with a combined estimated cost of £919 million.
- Interviews with 21 senior council staff and nine elected members and a review of papers to assess project and programme management in nine councils.
- Published good practice in project and programme management.

12. In this audit our primary focus was on how councils direct major capital projects costing £5 million or more. Councils' capital investment also includes projects costing less than £5 million and major programmed maintenance work in areas such as roads and social housing. The latter may cost more than £5 million but comprises large volumes of relatively routine work such as roads maintenance or replacing kitchens or bathrooms. Our audit did not examine these other types of investment in any depth.[7]

13. Appendix 1 provides more information on our methodology.

Summary of key messages

- Since 2000/01, councils have invested £27 billion in real terms in building and maintaining assets and infrastructure – more than any other part of the public sector. This includes £23 billion from the capital budget and £4 billion using private finance methods such as Private Finance Initiative and Non-Profit Distributing contracts.
- Councils increased borrowing in recent years to maintain investment, during a period of wider public spending reductions and constraints. Where plans are available, councils anticipate they will spend less on capital investment in future years, although borrowing will remain the main source of finance for investment.
- Accurate cost estimates are important from the outset of major projects. Weak estimating can undermine the successful delivery of a project and the potential to achieve value for money. For most of the completed major capital projects we reviewed, councils' early estimates of the expected costs and timetable have proved to be inaccurate. Estimating improved significantly as projects advanced, plans became clearer and contracts were awarded. Estimating for schools projects is more accurate than for non-schools projects.
- Councils have improved governance structures for investment decision-making in recent years. However, we identified weak processes for developing and using business cases and that monitoring information is insufficient. Improvements in these areas are important to support scrutiny and decision-making.

Key recommendations

Councils should:

- develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders, such as service users and suppliers, as they develop these strategies
- assess the overall appropriateness of using borrowing and private finance within the investment strategy. The strategy should balance the costs, risks and rewards of using these methods to ensure plans are financially sustainable and help each council achieve value for money

4 This report does not consider the Edinburgh trams project or projects relating to the 2014 Commonwealth Games. As noted, these projects have been subject to separate Audit Scotland reports.
5 *Major capital investment in councils: Good practice guide* is part of the Accounts Commission's *How councils work* series. The guide can be downloaded from our website www.audit-scotland.gov.uk
6 The projects we examined represented 82 per cent of the £3.5 billion cost of all 121 major capital projects completed by councils in the three years ending March 2012.
7 Audit Scotland will publish a report on housing in Scotland later in 2013.

- actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement
- improve the quality of capital project and programme information that is routinely provided to members. Information should cover:
  - annual financial performance against the capital budget
  - project and programme level performance against cost, time and scope targets
  - risk reporting (including identification, likelihood, financial impact and actions taken)
  - an assessment of intended and realised benefits
- carry out early assessments of risk and uncertainty to improve the accuracy of early-stage estimating of the cost and timescale of projects
- consider developing a continuing programme of training for elected members on capital issues, using independent external advisers if necessary
- collect and retain information on all projects including explanations for cost, time and scope changes and lessons learned. Report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other councils
- develop and use clearly defined project milestones for monitoring and reporting. This should include a clear process for preparing and approving business cases as a key part of decision-making and continuous review of all major capital projects.

Part 1. Capital investment in councils

Since 2000/01, councils have invested £27 billion in real terms in building and maintaining assets and infrastructure – more than any other part of the public sector

Key messages

- Since 2000/01, councils have invested £27 billion in real terms in building and maintaining assets and infrastructure – more than any other part of the public sector. This includes £23 billion from the capital budget and £4 billion using private finance methods such as Private Finance Initiative and Non-Profit Distributing contracts. This investment was needed to address a long-term decline in councils' assets and to develop new infrastructure.
- Councils increased borrowing in recent years to maintain investment, during a period of wider public spending reductions and constraints.
- Most recently, in the three years ending March 2012, councils have completed 121 major capital projects worth £3.5 billion. A further 203 major projects are in progress with a combined value of £5.1 billion. Most of the completed projects (£2.5 billion) were for improving schools and school properties. This area remains a priority with 82 schools projects worth £2 billion in the current programme.

Since 2000/01, councils have spent £23 billion in real terms on capital investment

14. Since 2000/01, councils have spent £23 billion in real terms on capital investment. This has paid for building and developing many types of investment projects including new schools, care homes and sports facilities. It has also paid for significant elements of maintaining and refurbishing councils' infrastructure such as housing repairs and road maintenance.

15. Councils' capital spending almost doubled in real terms from £1.2 billion in 2000/01 to just below £2.4 billion in 2008/09. Following the onset of the recession, capital spending fell by 11 per cent between 2008/09 and 2010/11 but increased again to £2.4 billion in 2011/12 owing to additional borrowing. Councils' capital spending between 2000/01 and 2011/12 increased at a higher rate than revenue spending in the same period. Capital spending almost doubled in real terms whereas revenue spending increased by almost 50 per cent.

16. This growth in capital investment spending reflects priorities councils set individually and is consistent with the spending plans of the Scottish Government, reflected in successive local government financial settlements. In general terms, more investment was needed to address a long-term decline in councils' assets, to develop new infrastructure and (in later years) to stimulate the economy. An Audit Scotland report in 2009 found that many council assets were in poor condition and unsuitable for the services being delivered from them.[8]

Councils have spent around half of total public sector investment each year

17. Between 2008/09 and 2011/12, councils have provided almost half of public sector capital investment (Exhibit 1, overleaf). Total public sector investment includes spending on areas such as national transport infrastructure (mainly rail services and motorways), prisons, colleges and hospitals. In 2011/12, councils spent £2.4 billion (56 per cent) on capital investment compared to transport's spending of £755 million (17 per cent) and the NHS' £488 million (11 per cent).[9] Together, other areas spent £672 million (16 per cent).

18. Between 2008/09 and 2010/11, almost a third of councils' capital investment was on housing, with schools and transport, including road maintenance, each accounting for around a fifth of the total.[10] Central services, such as office accommodation, and culture services such as leisure facilities and museums, together accounted for just under a fifth of overall capital spending.

Councils have increased borrowing in recent years to maintain investment

19. Councils fund capital investment from a range of sources, including:

- borrowing from the UK Government[11]
- capital grants from the Scottish Government
- receipts from selling assets
- transfers from revenue budgets.

20. Increasingly, councils have borrowed to finance capital investment, allowing them to spread the cost over many years. The level of annual capital investment has almost doubled in real terms since 2000/01 and the proportion financed by borrowing has increased by about a half during the same period.

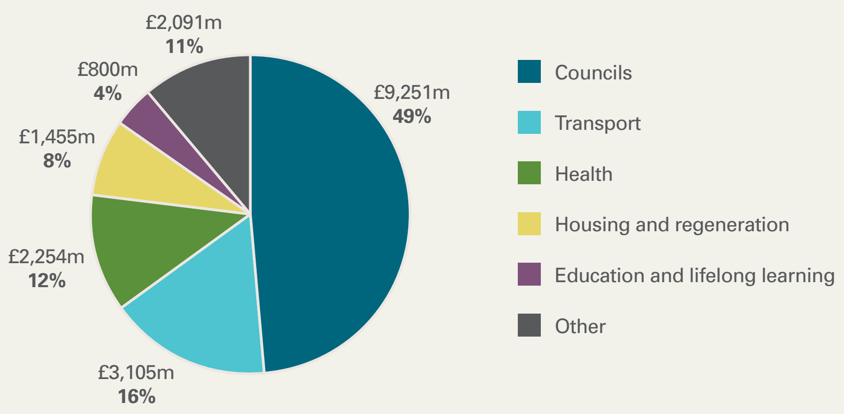
21. Councils have increased their use of borrowing since prudential borrowing was introduced in 2004. (Exhibit 2, page 9). This allowed councils greater flexibility to borrow for capital investment without specific consent from the Scottish Government. In doing so, each council

8 *Asset management in local government*, Audit Scotland, May 2009.
9 Councils' figures are taken from annual accounts. Other figures are taken from Scottish Government draft budget documents 2008-12. Owing to changes in the Scottish Government portfolio structure it is not possible to provide trend analysis from 2000/01.
10 *Scottish Local Authority Capital Expenditure 2010-11*, Scottish Government, April 2012.
11 Borrowing is mainly from the National Loans Fund and distributed by the Public Works Loan Board (PWLB). The PWLB is part of the UK Debt Management Office and is a non-ministerial UK government department.

Exhibit 1

Public sector capital spending by area 2008/09 to 2011/12 (real terms)

In the last four years, councils spent almost £9.3 billion on capital investment, about half of total public sector capital investment.



Note: Transport, Education and lifelong learning, and Housing and regeneration figures relate to central government spending. 'Other' includes Justice, Scottish Water loans, Rural affairs and the environment, and Enterprise, energy and tourism
Source: Audit Scotland

must decide and keep under review the amount of money it can afford to borrow for capital investment, with reference to the Prudential Code.[12] The requirements of the code are intended to ensure that councils apply proper care and prudence regarding investment decisions. Until 2011/12, councils received support from the Scottish Government towards the financing costs of borrowing. In the final year, this amounted to £305 million, representing just over a quarter of borrowing in that year. From 2011/12, this support was replaced by grant and included as part of the General Capital Grant.

22. Scottish Government grants have been the second main source of funding for councils. These comprise grants for specific projects and General Capital Grant, which can be used at councils' discretion. Although councils make their own decisions about capital investments and priorities, since 2000/01 the Scottish Government has provided £5.8 billion capital grant funding to councils in real terms. This is an average of about £480 million a year. The level of grant funding available to each council is an important factor in deciding how much borrowing they need to fulfil capital investment plans. Grant levels reached a peak of more than £820 million in 2009/10 but they have since declined in both cash and real terms.

23. Councils also use money transferred from revenue budgets and income from selling property to help fund capital investment. These and other sources provided less than a fifth of councils' total capital investment in 2011/12. Councils attribute the reduction in financing from asset sales to the significant general decline in property market values and activity across the Scottish and UK economy.[13]

24. Recent investment has contributed to an increase in the value of councils' total property assets reported in their annual accounts by 35 per cent, from £26 billion in 2007/08 to £35 billion in 2011/12.[14] The main sources of finance for investment in this period have been borrowing and the use of Private Finance Initiative (PFI) or Non-Profit Distributing (NPD) projects. Councils' combined debt levels have increased by 39 per cent from £9.3 billion in 2007/08 to £12.9 billion in 2011/12.[15] With further borrowing and private finance investment planned over the next few years, overall debt levels may continue to rise.

Councils have procured £4 billion of investment through private finance contracts

25. Councils have financed significant capital investment using PFI and NPD contracts. Under these contracts, the council appoints a contractor who is responsible for designing, building, financing and operating the new building over a contract period of around 30 years. The council does not have to meet the up-front costs of the new building or asset from its capital budget and does not pay for the investment directly from borrowing or other sources. Instead the council pays the contractor an annual charge for constructing the asset and any related services, for example building maintenance services, over the contract life.[16]

26. Councils have more NPD and PFI contracts in place than any other part of the public sector in Scotland. Since 2000/01, councils have procured almost £4 billion worth of capital investment in real terms using PFI

12 This is a professional code of practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to help councils with decisions that relate to affordability, sustainability and prudence.
13 For example, in evidence to the Scottish Parliament's Finance Committee in autumn 2012, Registers of Scotland reported that over the previous 12 months it had recorded just under £1.8 billion in commercial property sales in Scotland compared to the high of £6.3 billion during 2006/07.
14 Some of this growth is attributable to annual asset revaluation.
15 This is net external debt (total borrowing less any investments).
16 Buildings provided through PFI and NPD contracts have since 2010/11 been treated as assets on councils' balance sheets and some of the contract payments made to the PFI and NPD providers are treated as financing charges.

and NPD (Exhibit 3). This represents 58 per cent of total public sector NPD and PFI commitments in Scotland, compared to about 20 per cent in both health and central government. About half of these commitments were made in two years, 2006/07 and 2007/08, adding an extra 50 per cent worth of investment in those years and pushing the total investment to over £3 billion a year. Since then, councils have added £130 million of PFI and NPD investment.

27. The high levels of investment reflect previous Scottish Government policy, which encouraged councils to consider using PFI contracts for investment where councils judged it to provide value for money. Councils used PFI contracts for very large-scale major capital projects rather than smaller, more routine elements of capital spending. In 2008, the Scottish Government decided to adopt NPD as its preferred model for private finance projects.[17]

28. Thirty-eight projects for new or completely refurbished schools account for 95 per cent of the total value of councils' PFI and NPD commitments. Seven other PFI projects, including waste, IT and road projects, account for the other five per cent of these types of contracts.

29. Further information about methods of financing investment in councils is in Appendix 2.

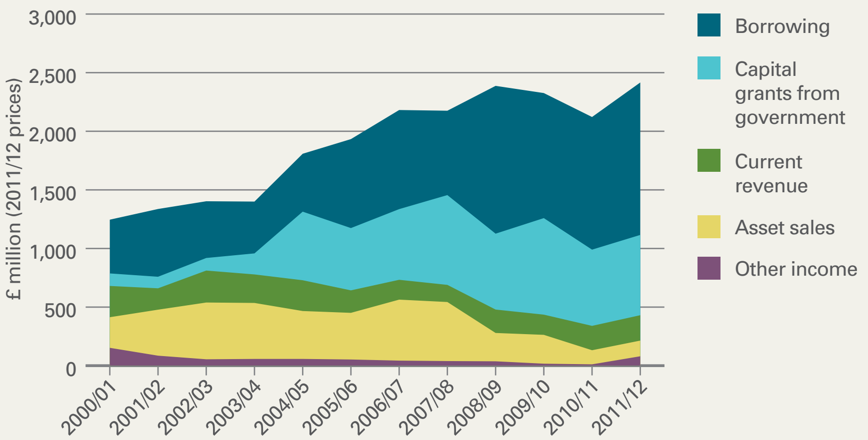
Councils have completed 121 major capital projects worth £3.5 billion since 2009

30. Each council must keep records of its capital projects. Annual accounts detail total capital investment spending each year. However, information was not available on all planned, ongoing or completed major projects across councils in Scotland. We therefore surveyed all 32 councils to get this information. We

Exhibit 2

Sources of financing for councils' annual capital expenditure, 2000/01 to 2011/12 (real terms)

Since 2000/01, councils have increasingly used borrowing and government grants, with a significant reduction in financing from receipts from asset sales.

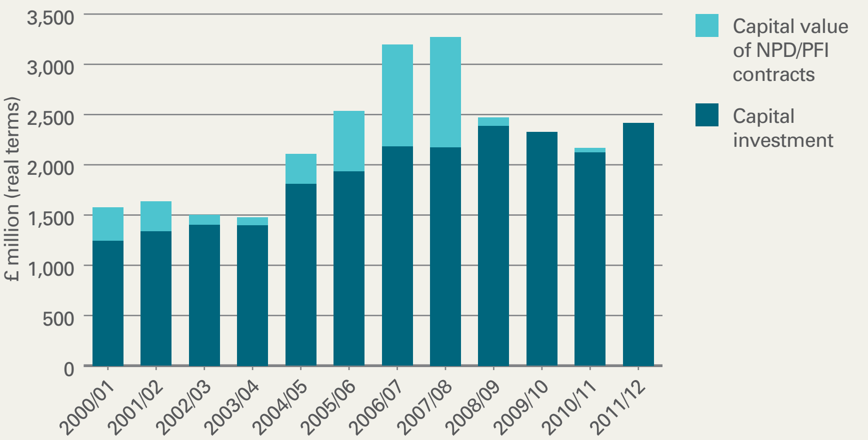


Source: Audit Scotland

Exhibit 3

Annual capital spending by councils and the capital value of signed PFI and NPD contracts in the same year

Since 2000/01, councils have spent £23 billion in real terms on capital investment. In addition, they have signed £4 billion worth of PFI and NPD contracts.



Source: Audit Scotland

17 Under the NPD method there is a partnership with a private sector company, who pays up-front construction costs and ongoing maintenance costs. The public sector pays an annual charge to this company over the life of the asset from its revenue budget. NPD contracts impose a limit on the profits that the private sector company may retain and any surplus profit is reinvested in the public sector.

concentrated on recently completed projects – that is, projects that were physically completed in the three years to the end of March 2012 – and projects that were in progress at the time of our survey in April 2012.

31. Councils reported that since 2009 they had completed 121 major capital projects with a combined value of £3.5 billion. Another 203 projects, worth £5.1 billion, were in progress at April 2012 (Exhibit 4).

32. Our analysis of completed projects shows the following:

- Most – 52 – with a combined value of £2.5 billion (71 per cent of the total cost of all projects) were for new or redeveloped schools.
- Thirteen were sports facilities, which accounted for £218 million (six per cent).
- Ten were road and other transport-related projects costing £124 million (four per cent), and four were arts projects costing £130 million (four per cent). These included the new Riverside Museum in Glasgow and the refurbishment of the Usher Hall in Edinburgh, costing £85 million and £25 million respectively.
- Eight were office accommodation projects costing £163 million (four per cent). These included Aberdeen City Council's new corporate headquarters (£68 million) and new office accommodation for Dundee City Council (£35 million).
- Three were flood prevention schemes costing £87 million (two per cent). The City of Edinburgh Council's scheme at Braid Burn (£43 million) was the largest of these.
- The remaining 31 projects, costing £320 million (nine per cent), included social housing, care homes and shared service facilities. West Lothian Council's Civic Centre (£47 million) was the largest of these projects.

33. Although only 16 of the 121 completed projects were PFI projects, they were higher-value projects with a combined value of almost £2 billion, 56 per cent of the value of all projects completed in the period. All PFI projects were for school buildings and property improvements.

34. Councils' investment in maintaining social housing can be significant but only a small proportion is in the form of major projects. Housing projects are typically valued at less than £5 million or are rolling programmes of maintenance and repair rather than new, one-off, projects. For example, in 2011/12, Aberdeen City Council spent £18 million replacing kitchens and bathrooms as part of its annual housing modernisation programme.

Councils have about 200 major projects in progress worth almost £5.1 billion

35. At the time of our audit, councils reported they had 203 major capital projects in progress with a combined value of almost £5.1 billion. This includes projects that are in the early planning stages through to projects where contracts have been signed and construction is under way.

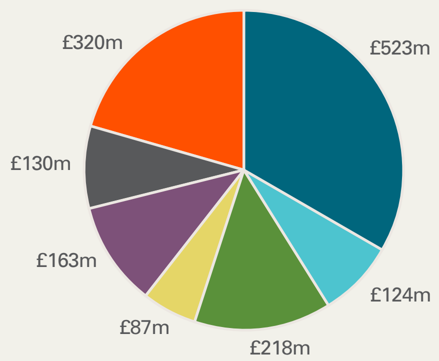
36. Investing in school buildings and property will continue to represent the highest spending area in councils' capital investment plans. Projects in progress include 82 school projects with a combined value of £2 billion (40 per cent). Councils will fund most of these schools projects from their capital budgets.

Exhibit 4

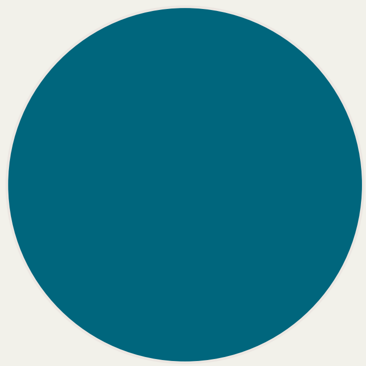
Completed major capital projects (2009–12)

Councils completed £3.5 billion of major projects between 2009 and 2012.

£1,565m from Capital budget

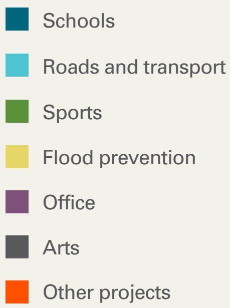


£1,969m from Private finance

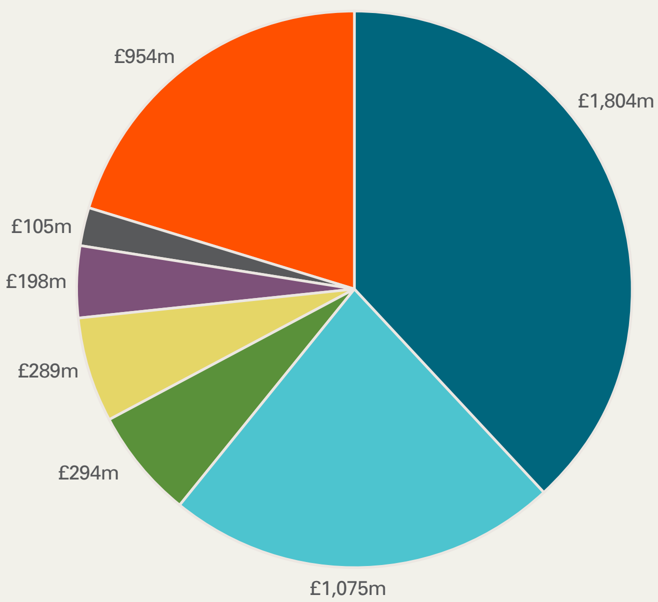


Major capital projects in progress

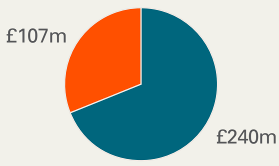
Around £5.1 billion worth of projects are in progress.



£4,719m from Capital budget



£347m from Private finance



Note: 'Other projects' include housing, waste treatment, care homes, community centres, regeneration and ICT projects.
Source: Audit Scotland

Part 2. Delivering major capital projects within cost and time targets

Councils delivered most projects since 2009 within or close to contract cost, despite early estimates being too low

Key messages

- For most major projects completed within the last three years, councils' early estimates of the expected costs and timetable have proved to be inaccurate. For example, councils completed only two-fifths of these projects within the initial cost estimates. As expected, estimating improved significantly as projects advanced, plans became clearer and contracts were awarded.
- Estimating for school projects was better than for other projects. A seventh of completed school projects in our sample cost five per cent or more than the contract award estimate. This compared to almost half of non-school project estimates at the same stage. Similarly, a fifth of school projects were completed at least two months later than the contract award estimate, compared to just over half of non-school projects.
- Good practice requires strong control over costs and timescales of major projects. However, there are some significant gaps in the information that councils have to measure as to whether projects are completed to budget and on time.
- Councils' estimating of cost and time targets for a sample of current major projects is also inaccurate. Of 15 projects in progress reviewed, seven have cost estimates that are higher than initial estimates. Likewise, nine of these 15 projects have estimated completion dates that are later than initial estimates.

37. We have previously reported on how major public sector capital projects perform against time and cost targets. In 2008, our report *Review of major capital projects in Scotland* found that at project approval stage, the early estimates of cost and time were too optimistic for many major projects in health and central government. In 2011, our report *Management of the Scottish Government's capital investment programme* found that the accuracy of cost estimating had improved since our 2008 report but cost increases and slippage continued to affect many projects.

There are significant gaps in the availability of cost and time information

38. Good project management increases the likelihood that projects will meet time, cost and scope targets.[18] Key features of good practice include the importance of well-defined project plans with carefully calculated and realistic estimates of timescales and costs from the outset. Good practice requires strong control over the expected costs and timetable at each stage of the project from inception through to completion and operation. Each project should pass through several key stages (Exhibit 5, overleaf).

39. We examined the latest reported costs and completion time compared to earlier estimates for a sample of 63 completed major capital projects. These 63 projects accounted for over half of all projects completed by councils. They had a combined cost of £2.9 billion (82 per cent of the combined cost of £3.5 billion of completed projects). Summary information about the sample of projects is in Appendix 3. We have published separately on our website further information about the 63 individual projects in our sample.

40. In particular, we assessed the performance against two milestones:

- **Initial approval stage:** At this stage the following features of the project need to be clear:
  - Overall value and purpose.
  - Contribution to business goals.
  - The best balance of cost, benefit and risk for delivering it effectively.
- At this stage, accurate cost and time estimates contribute to effective decision-making. There should be a formal outline business case. However, there is no legal commitment as a contract has not been awarded. Where we refer to initial costs we are referring to estimates at this stage.
- **Contract award stage:** The estimate just before awarding the contract is vital because it provides a basis for confirming value for money before the main financial commitment (the construction or service contract) is accepted. Once a contract price is agreed, significant changes to a project are likely to be costly, disruptive and may jeopardise value for money.

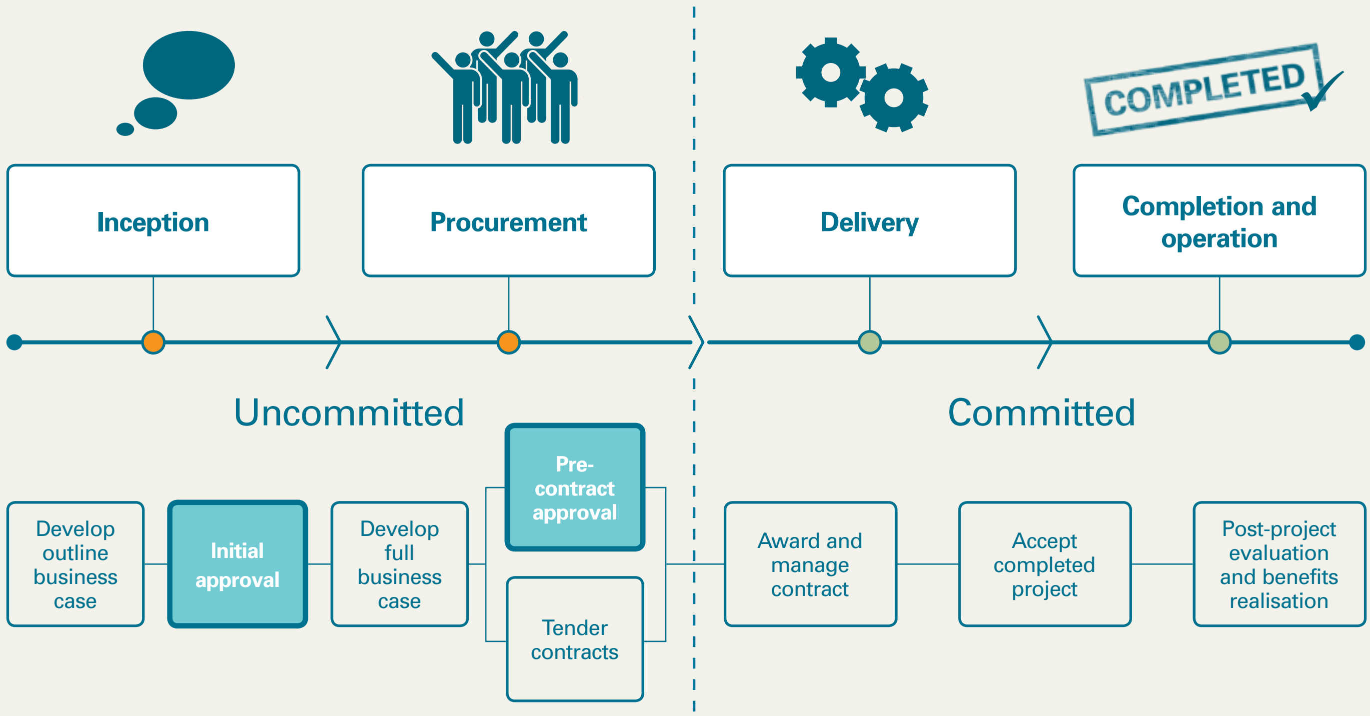
41. There are some significant gaps in the availability of cost and time information. For one in five projects, the relevant council could not provide a cost estimate at the initial approval stage, either because project costs were not estimated at this time or data were unavailable (records could not be retrieved). Similarly, 20 out of 63 (32 per cent) could not provide a time estimate at the initial approval stage.

18 Examples of scope targets include measurements such as space per pupil (schools) or number of beds (care homes).

Exhibit 5

Key stages in major capital projects

Each project should pass through several key stages. Two important milestones for any project are the initial approval and the pre-contract approval (shown as shaded below).



Source: Audit Scotland

Councils delivered most projects since 2009 within or close to contract cost, despite early estimates being too low

Few major projects are completed within initial cost estimates

42. Forty-seven of the 63 projects in our sample were traditionally financed projects with a combined final cost of £980 million. Councils were able to provide cost estimates at the initial approval stage for 37 of these projects. Of the 35 projects where final costs were known, the majority had initial cost estimates that proved to be significant under-estimates:

- Councils completed 13 projects, costing £355 million, on or within the initial cost estimate.
- One project had final costs that exceeded the initial cost estimate by one per cent.
- Twenty-one projects had final costs that were significantly higher – between five and 189 per cent – than the initial cost estimate. These projects had a combined outturn cost of £344 million, £89 million (26 per cent) more than their combined initial cost estimates.

43. Councils reported a wide range of reasons for these overruns. They reported that changes in project scope were a contributory factor for time and cost increases for three-quarters of projects. They reported that unforeseen delays or extra costs from third parties, such as utility providers, affected half of the projects.

44. North Lanarkshire Council's Ravenscraig Regional Sports Facility had one of the largest monetary increases. It cost £33 million, against the initial estimate of £18 million. North Lanarkshire Council attributed this cost increase to major changes in project scope in conjunction with the development of a national strategy for sports facilities.

Estimating improved by the point of contract award

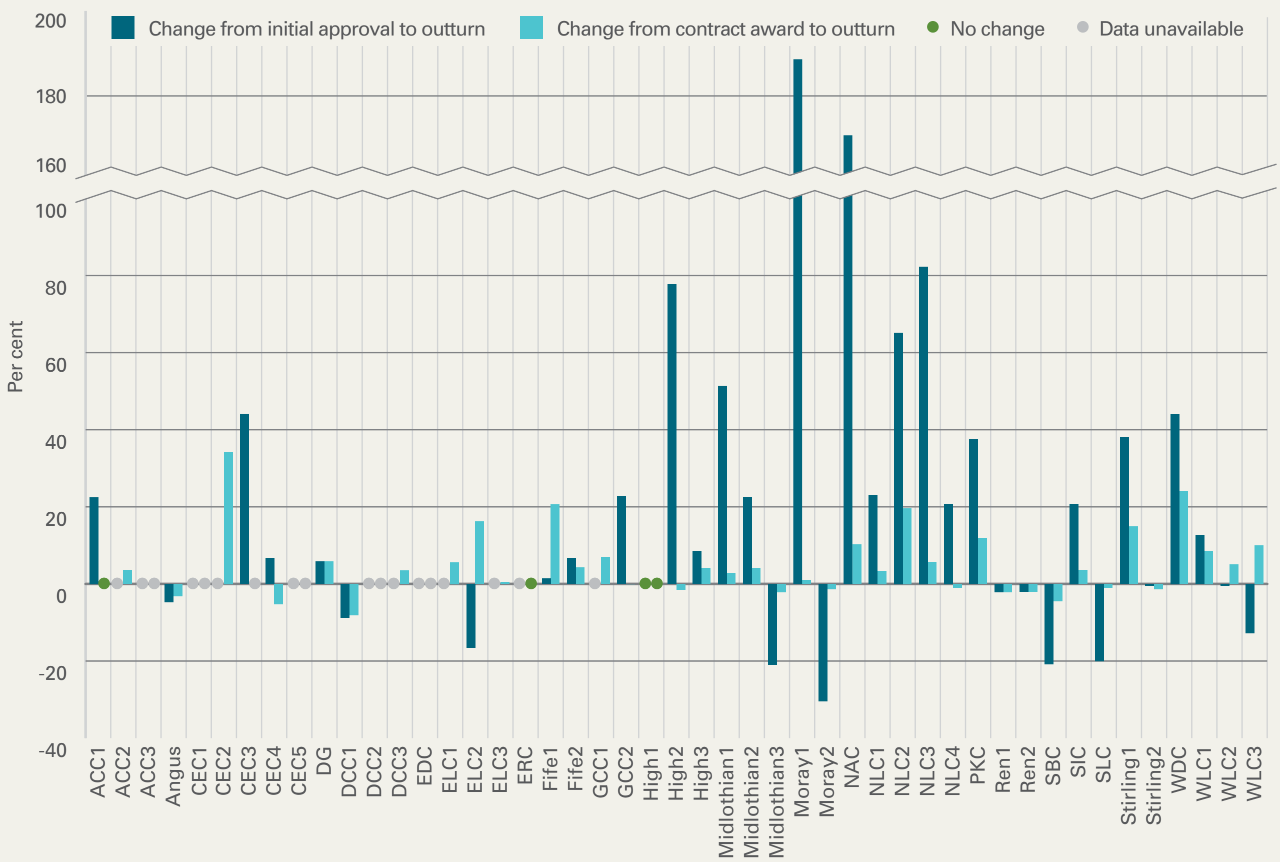
45. Councils were able to provide contract award estimates and final costs for 41 of 47 traditionally financed projects. These had a combined final cost of £838 million, £26 million (three per cent) more than the combined approved contract award estimate. Contract award cost estimates are more reliable than estimates made at the initial approval stage (Exhibit 6). For the 41 projects with contract award cost estimates:

- 16 projects, costing £447 million, were delivered within the contract award estimate

Exhibit 6

Traditionally financed projects – change in final cost compared to forecasts at earlier stages

Contract award estimates are more reliable than estimates made at the initial approval stage.



Note: Please see Appendix 3 for further information about each project
Source: Audit Scotland

- ten projects, costing £138 million, were less than five per cent above the estimate
- 15 projects, costing £253 million, were between five and 34 per cent over the estimate.

46. The City of Edinburgh Council's Usher Hall redevelopment had the largest cost increase for any traditional project when compared to the contract award estimate. The project cost £25.5 million, 34 per cent higher than the contract award estimate of £19 million. The council attributed the increase to substantial additional works on the foundations of the existing structure of the building considered necessary after contractors had started work. There were also knock-on costs from additional temporary works to allow access to the theatre during the period of the 2008 Edinburgh International Festival.

Early cost estimates for PFI projects were too low

47. Between 2009 and 2012, 16 major capital schools projects were completed using PFI contracts, with a total capital value of almost £2 billion.

48. We examined the cost and time targets for all 16 schools projects. For these projects we have used the Net Present Cost of the contract as the best measure of final cost.[19, 20] South Lanarkshire Council's Secondary Schools Modernisation programme and The City of Edinburgh Council's PPP2 Schools programme were the two largest projects, costing £407 million and £271 million, respectively.

49. Councils provided initial cost estimates for 13 of 16 PFI projects, with a combined estimated net present cost of £2.2 billion. For

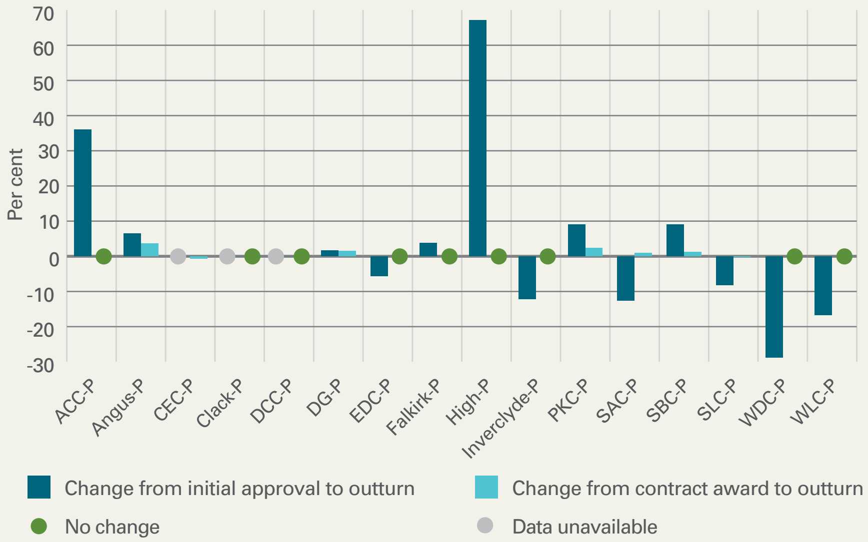
19 The Net Present Cost (NPC) is the value of all costs over the lifetime of the contract discounted to reflect the time value of money decreasing over the life of the contract. Lifetime costs include annual unitary payments made by the council to the private sector provider for use of the asset over the course of the contract – usually 25 to 30 years. These payments typically cover capital repayment and interest, service and maintenance costs.

20 The estimated capital cost of PFI projects in our sample was available for 15 of the 16 projects. These costs are detailed at Appendix 3.

Exhibit 7

PFI projects – contract cost compared to earlier estimates

Initial cost estimates for around half of PFI projects were under-estimates.



Note: Please see Appendix 3 for further information about each project.
Source: Audit Scotland

about half of these projects the initial approval estimates were under-estimates (Exhibit 7). We found that:

- six projects, costing £1,068 million, were completed on or within the initial cost estimates
- two projects, costing £344 million, were less than five per cent above the estimate
- five projects, costing £832 million, were between five and 67 per cent over estimate.

50. The Highland Council's schools project had the largest cost increase. The contract cost increased from £148 million to £247 million, an increase of 67 per cent. The council reported an increase in the construction cost element of the contract as a reason for the increase.

51. Cost estimates at the contract award stage for PFI projects appeared to be more reliable. Comparing the contract award estimate to the latest available estimate for each project:

- 11 PFI projects, with a combined cost of £2 billion (74 per cent by value), have latest estimates equal to or below the contract award estimate
- five projects with a combined cost of £708 million (26 per cent by value) have latest estimates higher than the contract award estimate; in each case these were by less than five per cent.

52. Councils reported that changes to scope were the main reason for increases in the latest estimated costs, where these occurred.

Most projects were delayed compared to initial estimates

53. We examined the actual completion time of all 63 projects, both traditionally and privately financed, compared to estimates made at the initial approval and contract award stages. The analysis of time estimates at the initial approval stage in this section is based on 43 projects, while the analysis of contract award time estimates is based on 61 projects. Councils were not able to provide us with time estimates for one or both stages for the remaining projects.

54. For 63 completed projects, the average duration was four years from initial approval. Generally, councils completed traditionally financed projects more rapidly than PFI projects, with PFI projects taking just over two years longer on average. The difference is largely due to the lengthier preparation period, from initial approval to contract award, for PFI projects. PFI projects spent an average of 34 months in the pre-contract stage compared to 20 months for traditionally financed projects. The longest PFI project was Perth and Kinross Council's Investment in Learning Schools programme, which took about eight years to complete. The council reported that almost four years were for preparation before the contract was awarded, including three years to resolve issues that were outside its direct control. Glasgow City Council's Riverside Museum was the longest traditionally financed project. It was complex, involving a design contest providing an iconic building by a world-renowned architect and had secured significant funding from the Heritage Lottery Fund. It took over seven years to complete, including over three years' preparation before the contract was awarded.

55. Seventy-nine per cent of projects took at least two months longer to complete than estimated at initial approval, with only 19 per cent completed on time. The average delay was 17 months, with delays ranging from three months to 52 months.

56. Where significant delays arose, they were mostly during the initial planning stages of projects, rather than the delivery phase where delays are more costly. Delays at initial stages may arise owing to unforeseen circumstances such as planning enquiries or legal challenges rather than specific project management issues. Time spent on planning and design of projects may help to avoid problems later in construction.

57. Estimating project duration was more accurate at the contract award stage. Fifty-six per cent of projects were completed on or within contract award estimates. However, 34 per cent of projects took at least two months longer to complete than the estimates at this point.

58. In most cases, the delay during the contract phase was shorter. The average delay was five months; delays ranged from one month to 24 months. South Ayrshire Council's schools PFI project had the longest delay following contract award, taking two years longer to complete than estimated. The City of Edinburgh Council's Usher Hall redevelopment and Fife Council's Carnegie Sports Centre project both took 11 months longer to complete than estimated at contract award.

59. Delays do not necessarily result in higher project costs. For example, The Highland Council's Raasay Ferry Terminal project took ten months longer than expected at contract award but its final cost was £200,000 lower than the contract estimate. The council reported that delays were due to a major subcontractor entering administration. However, as the contract risk remained with the contractor, the council did not have to meet any additional contract costs.

School projects perform better to cost and time targets

60. Within our sample of 63 completed projects, we reviewed the cost and time targets of 37 schools projects with a combined capital cost of £2 billion. These projects included building or redeveloping 84 primary schools and 72 secondary schools. Each project provided between one and 34 schools and some included a mixture of school types including primary, secondary or additional support needs schools. Sixteen projects, providing mostly secondary schools, were completed using PFI contracts; the other 21 projects providing mostly primary schools, were traditionally financed.

61. Schools projects had more accurate cost and time estimates than other projects:

- Fourteen per cent of schools projects had cost overruns of at least five per cent compared to the contract award estimate. This compared to 45 per cent of non-schools projects.

- Twenty-two per cent of schools projects were completed at least two months later than estimated at contract award. This compared to 54 per cent of non-schools projects.

62. Building and redeveloping schools is the most common type of major capital project that councils deliver. Councils' experience of delivering schools projects may explain why estimating is more reliable. The requirement to deliver new schools to coincide with school term dates and the high priority that councils give to these projects may also help to explain why councils deliver them more successfully.

Some major projects in progress have increasing costs and delays

63. We assessed how 15 major capital projects under way were performing against cost and time estimates. We reviewed these projects between August and December 2012 and, inevitably, costs and time estimates may have changed since our review. The combined value of these 15 projects is £919 million, which represents 18 per cent of the total value (£5.1 billion) of the 203 projects in progress (Exhibit 8, overleaf).

64. Seven of the 15 projects have cost estimates that are higher than initial estimates. The combined variance compared to initial cost estimates is £58 million, which is seven per cent higher than the combined value of initial costs (£861 million). Fife Council's Flood Prevention Scheme in Dunfermline has the largest percentage variance from initial estimate. The latest cost estimate is £24.7 million - an increase of 152 per cent from its initial estimate of £9.8 million (Case study 1, page 19). Glasgow City Council's Pre-12 Schools Strategy (phase 4) project had the largest cost increase from initial estimate. The current estimate of £178 million is £50 million greater than the initial estimate of £128 million (Case study 2, page 19).

65. Nine projects have estimated completion dates that are later than initial estimates, including five projects with slippage of a year or more. The time to complete Moray Council's Flood Alleviation Scheme in Elgin increased by 35 months mainly because of the need for a public local inquiry into the scheme to resolve planning objections. The time for The City of Edinburgh Council's project to provide an extension to the Edinburgh International Conference Centre increased by 43 months, mainly because of the withdrawal of the original contractor in 2007 and subsequent reappraisal of the scope of the project.

Recommendations

Councils should:

- carry out early assessments of risk and uncertainty to improve early-stage estimating of the cost and time of projects; each risk assessment should take into account experience and expertise gained from previous projects and the potential for higher risks with projects that are relatively novel

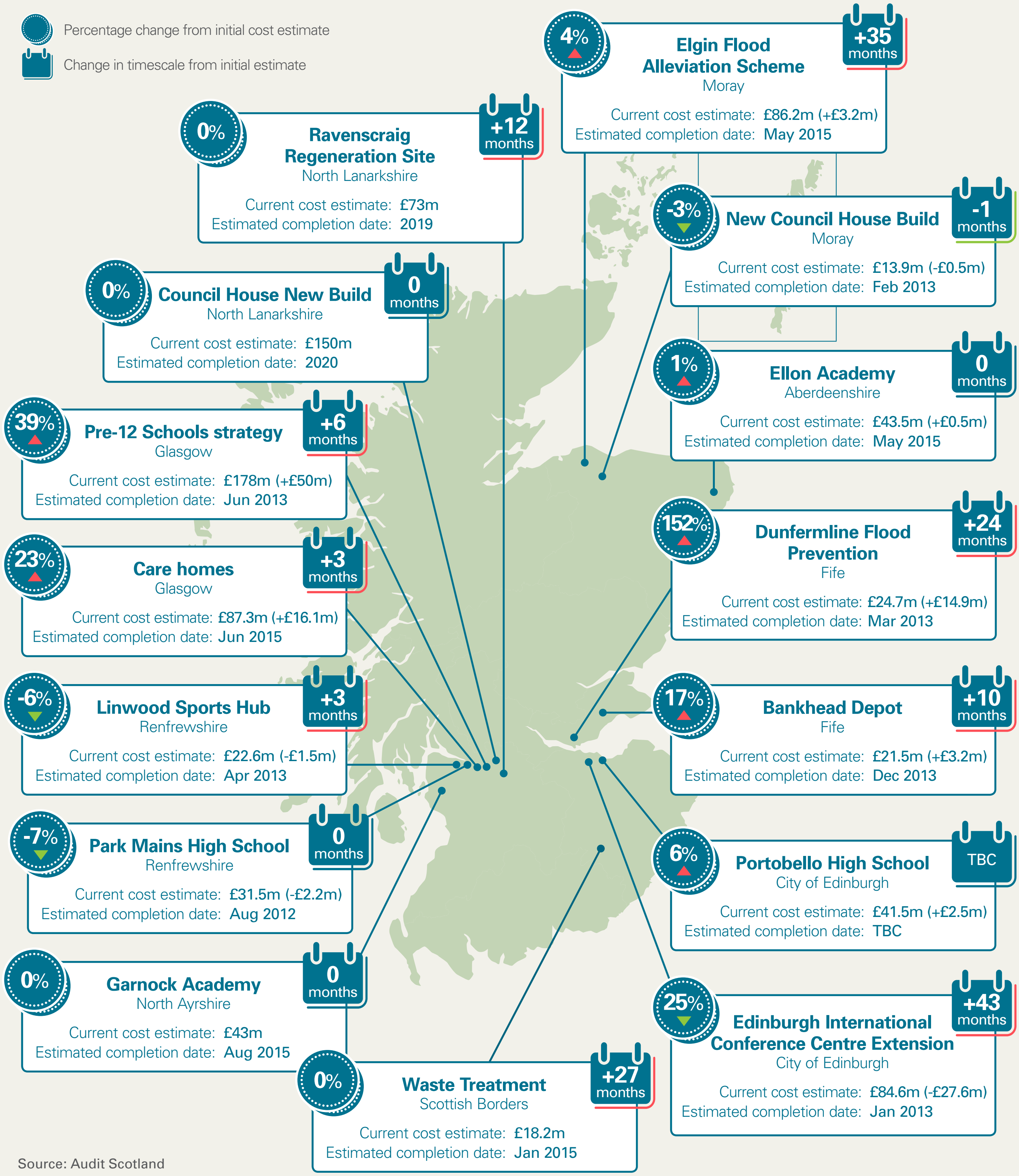
- collect and retain information on all projects including explanations for cost, time and scope changes and lessons learned

- report this information publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other councils.

Exhibit 8

Major capital projects in progress – variance of current estimates from initial estimates

Seven of 15 projects in progress have cost estimates above the initial estimate. The estimated completion date for nine projects has slipped.



Source: Audit Scotland

Case study 1

Fife Council – Dunfermline Flood Prevention Scheme

In December 2002, Fife Council initially approved the design of a flood prevention scheme in Dunfermline with an estimated cost of £3.75 million. In November 2005, the council approved the project with a revised estimated cost of £9.8 million, following work by consultants on the project design. In September 2006, the tendering process resulted in the appointment of a preferred bidder with an estimated price, including consultants' fees, of £14.15 million. Since then the project has been problematic, with conflicts between the contractor and the council and challenges with problems faced over the design and specialist nature of the project. As a result, the estimated cost has risen to £24.7 million and the expected completion date has slipped by a further two years from March 2011 to March 2013.

Source: Audit Scotland

Case study 2

Glasgow City Council – Pre-12 Schools Strategy (phase 4)

The council's Pre-12 Schools Strategy construction programme is designed to meet primary school needs across the area it is responsible for. The overall programme is multi-phased with phase 4 planned to deliver 16 new or refurbished primary schools. In 2006, when the programme was approved and began, cost estimates were £128 million. Individual schools projects within the programme are subject to regular reporting and cost control. However, the programme's total cost is now projected to be about £178 million by its completion in June 2013. The movements in cost are due to:

- problems over site identification and planning approval
- changes to design requirements
- unforeseen additional ground works needed as a result of siting on brown-field sites.

Source: Audit Scotland

Part 3. Managing capital projects and investment programmes

Because of its scale and impact, councils must clearly direct and rigorously manage their capital investment activity

Key messages

- Councils have improved governance structures for investment planning in recent years. But councils do not have enough monitoring information to scrutinise effectively. All levels of the governance structure, from working groups to committee level, need to be supplied with reliable, accurate, realistic and publicly available information for arrangements to be effective.

- Councils' investment and financing plans are uncertain. To the extent that plans are available, councils anticipate that investment will decrease over the next few years to 2014/15, although the position after this is unclear. Borrowing will remain the main source of finance for councils' investment spending.

- Many councils do not have established processes for developing and using business cases. Where available, business cases are often short and highly summarised and do not all reflect good practice. Without good-quality and realistic business cases, particularly at the initial approval stage, key performance information on aims, cost, time, scope and risk may not be clearly defined. This may make it more difficult to hold decision-makers to account if problems arise on a project.

- Councils are clear about the broad goals for their investment projects. However, where councils outline intended benefits, they are often high-level and measurable benefits are rarely specified. Councils have evaluated about half of recently completed projects to assess if they have delivered the intended benefits.

- Councils do not proactively seek opportunities to work with other councils or other public bodies in planning and delivering their capital programmes. While there are some examples of shared assets, joint procurement and joint projects, there is little evidence of councils systematically assessing the potential for increased joint working and the related costs and benefits.

66. This part of the report considers how well councils manage capital projects and programmes. It outlines areas where improvements are required to help councils achieve best value from their capital investment.

In recent years, councils have improved governance structures for investment decisions

Most councils plan investment corporately, taking into account future service priorities

67. Councils must have sound governance structures in place to oversee and deliver their capital programmes. Annual capital spending within each council ranges from £8 million to £332 million. At the time of our audit, 20 councils had at least four major capital projects at various stages of design and delivery. Of these, five councils had ten or more major projects under way including Glasgow City Council with 35. Particularly where there are many projects in progress simultaneously, it is important that councils have clear corporate oversight of:

- their investment programme

- how well they select and progress individual major projects.

Good practice – managing capital programmes

Because of its scale and impact, councils must clearly direct and rigorously manage their capital investment activity. To achieve this, they require to do the following:

- Be clear about the overall purpose and justification for spending and the benefits it will deliver. There should be a clear understanding of the links between investment, performance and outcomes.

- Establish priorities to help them decide which projects to choose taking into account what they can afford. Proposals for new investment should reflect these priorities. Councils should balance proposals for new projects with what they need to spend to maintain current properties and ensure they stay fit for purpose.

- Take a long-term view of their total investment spending so they can plan and coordinate it effectively.

- Put a clear and effective governance structure in place and ensure responsibilities are clearly defined, allocated and understood. The structure should provide scope for constructive challenge and effective scrutiny at all stages of the programme.

- Ensure financial and risk management are robust.

- Clearly define benefits and manage programmes to ensure they deliver the benefits. Monitor and report outcomes and learn lessons from programmes.

Source: Audit Scotland

68. Of the councils reviewed, we found that most capital governance structures follow good practice. This includes having an officer-led corporate capital group that considers and challenges the capital and asset management plans of each individual service. This group should report and make recommendations to the council's senior management team, who in turn will report, make recommendations and answer to the relevant council committee (Case study 3 is an example of a good governance structure).

69. Having a good governance structure is necessary but does not guarantee that councils will deliver capital investment plans and projects effectively. At all levels of the governance structure, from working groups to committee level, there should be clear arrangements for reporting and monitoring. All levels need to be supplied with reliable, regular information on the capital programme including details of current performance, financial performance, risk and benefits management.

70. Independent expert reviews at key stages of a project – known as Gateway Reviews – can help support good governance. The purpose of such reviews is to provide assurance about the performance and planning of the project at key stages, including the opportunity to identify – and correct – any gaps. It is mandatory to assess the need for and if necessary plan to undertake such reviews for all major projects in the central government and health sectors that the Scottish Government is directly responsible for. Most of the 16 completed schools PFI projects that we examined had received such reviews, as they were required as a condition of funding by the Scottish Government. However, councils considered or undertook such reviews for only one in five of their other major projects that we examined.

Councils are making progress in linking their investment planning to asset management

Good practice – asset management

Councils need reliable information on the condition of existing assets to be able to make the best decisions on what capital investment they need to make in the future. Good asset management plans provide information on the condition of their assets, if these are suitable and if the council has enough for its needs. These plans should also assess energy efficiency, reflecting the rising price of energy and the need to reduce carbon emissions.

Source: Audit Scotland

Case study 3

Good practice example – Aberdeenshire Council

Level	Purpose	Key activities
Policy and Resources Committee	Approval body for capital investment decisions	• Approve the capital programme • Approve the corporate asset management plan • Approve project inclusion into capital programme and subsequent spending
Strategic Management Team (SMT)	Acts as a steering group for capital works, led by Chief Executive	• Manage the capital strategy • Undertake strategic resource management • Manage corporate performance of investment • Consider and approve proposals for investment, making recommendations to the Policy and Resources Committee
Capital Plan and Asset Management Working Group	Acts as a project group for the capital programme, chaired by member of the SMT	• Review and challenge service asset management plans • Manage and monitor the capital plan • Assess proposals for new projects including options appraisal and examination of business cases • Assess requests from services for changes to current projects • Recommend to SMT the corporate prioritisation of projects

Source: Audit Scotland

71. In 2009, an Audit Scotland report found that many council assets were in poor condition and unsuitable for the services being delivered from them.[21] About half of councils had a council-wide strategy for managing assets and although there was some good management information available it was not always used to help make decisions. The report recommended that councils should ensure they put in place better asset management strategies. Our follow-up in 2010 showed that councils were making good progress.

72. In 2012, our review of nine councils indicated that most are adopting good practice in relation to their asset management plans. Most have asset management plans for each service area that feed into a corporate asset management plan. Together these help councils decide their capital investment priorities. For example, North Ayrshire Council and Renfrewshire Council have developed asset management plans based on categories suggested by CIPFA covering property, housing, ICT, open spaces, roads and fleet. The findings of condition surveys contribute to both councils' plans. Renfrewshire Council surveyed the condition of all non-housing property in 2011 and North Ayrshire Council plans to complete more surveys during 2012/13. However, some councils still have to complete asset management plans in some areas. For example, at the time of our audit, Moray Council had only completed an asset management plan for housing and was developing four other plans.

Councils adopt good practice when engaging with stakeholders on project-specific issues

73. Every project has stakeholders. These can cover a range of different groups including local residents, businesses, employees, service users, suppliers and public sector bodies such as health boards. Engaging and consulting with stakeholders is essential in achieving a successful project outcome. Stakeholders' interest in a project can have both positive and negative effects on its progress. Their concerns may also create additional risks to a project's outcome. Engaging with stakeholders effectively is therefore important and should be a vital part of project planning from the start. Consulting with stakeholders can often be a lengthy process. But it can shape the project at an early stage and help ensure a more successful outcome.

74. In our audit, councils demonstrated good practice in engaging with stakeholders on project-specific issues, particularly on projects where there is a statutory consultation requirement. For example, the Schools (Consultation) Scotland Act 2010 requires any council to formally consult if it proposes to change any part of the existing education services it provides in its area (Case study 4).

75. Although councils consult on individual projects, we found no evidence of them consulting with stakeholders on their capital programmes. Councils should consult with stakeholders on their capital programmes to ensure they are fully aware of their capital spending priorities and plans. This may:

- be particularly valuable to potential suppliers and contractors by finding out about potential procurement opportunities
- help identify opportunities to find efficiencies or synergies within the whole programme rather than restricting communications to project-specific issues
- offer stakeholders the chance to engage with, scrutinise and challenge significant spending proposals.

Case study 4

Good practice example – consultation. Moray Council

Public and statutory consultation has played an important role as the council has developed options for the Elgin Flood Alleviation Scheme. Consultation with the general public has continued since the start of the project.

The council first consulted at the start of the project in 2002 with key stakeholders to identify the policies, plans and programmes that may affect the development of engineering options for flood alleviation in Elgin. The consultation took the form of meetings, supplements in local newspapers, press releases, public exhibitions and information on the Moray Flood Alleviation Group's website. There was also one-to-one consultation with individuals likely to be directly affected by the options. The council used this feedback to develop and refine the business case and technical reports.

Good practice example – consultation. Aberdeenshire Council

The council's consultation with the public for the Ellon Academy Campus development started in August 2011. The council issued a proposal document to parents, pupils, teaching staff, trade unions, community councils and Education Scotland. The council also launched a website dedicated to the development and displayed the proposals in the council's headquarters, libraries and neighbouring schools. The council asked HM Inspectorate of Education (HMIE) to independently review the consultation process. HMIE praised the plan as comprehensive and stated that it had allowed time for the council to collate and consider all views.

Source: Audit Scotland

21 *Asset management in local government,* Audit Scotland, May 2009.

Councils' investment and financing plans are uncertain

Good practice – capital investment plans

Capital investment is, by definition, a long-term activity. It is important that councils develop and maintain a clear strategy to direct and control their investment. To do this, they should produce an investment strategy with priorities to decide the level and nature of investment spending and develop plans to assess how they can finance and afford the spending.

Source: Audit Scotland

76. At the time of our audit, three councils did not have a corporate capital plan covering annual investment spending to 2014/15. Twenty-nine councils had plans, which indicated they would reduce investment spending by about 40 per cent between 2012/13 and 2014/15. However, many of these plans were tentative or needed to be updated as not all provided a complete forecast.

77. From a review of available plans, borrowing is likely to provide the main source of finance for investment. For six of the 29 councils with capital plans, their plans did not outline how investment would be financed, that is how much the councils would borrow, use grants or other sources to pay for planned investment.

78. To help understand what levels of borrowing councils might need to make, we projected investment spending and financing using three different, illustrative scenarios over the next eight years to 2020/21. For this illustration, we have assumed that government grant funding will fall by five per cent each year beyond 2014/15. Similarly, we have assumed that the contributions from current revenue, asset sales and other income will also decrease by five per cent each year to reflect recent trends. Our analysis showed that, by 2020/21, if capital investment was to:

- increase by five per cent each year, borrowing levels would need to almost double their current levels to £2.9 billion a year
- remain at current levels, borrowing levels would need to increase by 14 per cent on current levels to £1.6 billion a year
- decrease by five per cent each year, borrowing levels would fall by almost half of their current levels to nearly £700 million a year.

79. This analysis confirms that councils' future borrowing will vary significantly depending on their appetite or otherwise for additional investment. It illustrates the importance of councils developing a clear long-term strategy for investment and how they will finance this.

80. Councils plan to continue to use private finance for some future investment:

- Twenty-nine secondary schools projects will begin over the next few years as part of the Scottish Schools for the Future programme.[22] Councils will use the Hub initiative led by the Scottish Futures Trust (SFT) as the means to procure these projects. This may include up to around £300 million using private finance contracts.[23]
- In addition, the SFT has identified that about £1 billion of investment is needed over the next ten years if Scotland is to meet its zero waste targets. Twelve councils are planning to use private finance contracts to invest in waste projects although plans remain at the early stage of development in most cases.

81. Many councils are considering using Tax Incremental Financing (TIF) to finance capital investment, although no additional investment under TIF has yet gone beyond the planning stage.[24] Scottish ministers have approved three councils' business plans for TIF projects: North Lanarkshire, Glasgow City and The City of Edinburgh. However, the projects remain at an early stage and no council has so far made any additional borrowing under TIF. A further three councils – Falkirk, Fife and Argyll and Bute – are working with the Scottish Futures Trust to develop TIF business cases.

Councils need to develop long-term, sustainable investment strategies

82. Using borrowing and private finance can be attractive as it spreads the cost over many years. But by doing so, councils commit a larger proportion of future budgets to financing charges, for example, repaying debt and interest. This leaves less money available to spend on the day-to-day costs of running council services. This is demonstrated in the following ways:

- Annual interest and debt repayments for borrowing arrangements have increased from £946 million in 2009/10 to £1,450 million in 2011/12. This represented an increase from eight to 12 per cent of councils' net revenue expenditure over the same period.
- Annual payments for previously signed NPD/PFI contracts are increasing. In 2012/13, these annual payments were £459 million. These will peak at £591 million in 2025/26 with the final payment for current

22 The Scottish Schools for the Future programme is a £1.25 billion investment programme to provide 67 new or refurbished schools across Scotland. All councils are included in the programme, which reflects the Scottish Government and the Convention of Scottish Local Authorities (COSLA) joint school estate strategy established in 2009. The Scottish Government aims to provide £800 million for the programme over the period to 2017/18 and councils will provide the remainder.
23 See Appendix 2 for more information about the Hub initiative.
24 See Appendix 2 for more information about TIF.

signed contracts to be made in 2041/42. In 2012/13, The Scottish Government provided councils with £227 million (49 per cent) towards these payments. This level of financial support will continue each year but will reduce to around 39 per cent of annual payments as they peak in 2025/26.

83. Very few councils have developed detailed capital investment plans beyond 2014/15. There is less certainty about future funding arrangements beyond 2014/15. But councils need to develop long-term investment plans to set out their investment needs and constraints and provide the information needed for prioritising and planning. Long-term capital investment plans should also provide a strategic assessment of the various financing options available to the council.

Councils have weak processes for developing and maintaining business cases

84. Many councils do not have established processes for developing and maintaining business cases. The evidence we have indicates that, where they are available, business cases are short and highly summarised or are not updated, and therefore do not reflect good practice. For example, the business case for Midlothian Council's Cuiken Primary School only included an options appraisal with associated costs. It did not consider other important aspects such as an assessment of risk, a procurement strategy or details of stakeholder consultation plans. The business case for this project estimated it would cost £6.2 million but its final cost of £7.6 million was 23 per cent higher. Without detailed, accurate and realistic business cases, particularly at the initial approval stage, key performance information on aims, cost, time, scope and risk may not be clearly defined. This could make it more difficult to hold decision-makers to account if problems arise later in the project.

Good practice – business cases

Good-quality business cases are key to project scrutiny, decision-making and transparency. The business case should develop as each project develops. It should provide the basis for all important project decisions. Councils should develop business cases over the following stages:

- A Strategic Business Case (SBC) to confirm the strategic context of the proposal and provide an early indication of the proposed way forward.
- An Outline Business Case (OBC), including the council's preferred option for getting the best value for the money available. It should also provide details of a procurement strategy. This is equivalent to the initial approval stage at paragraph 40 previously.
- The Full Business Case (FBC) to revise the OBC and provide important project information including a recommendation following discussions with key stakeholders including potential suppliers. This is equivalent to the contract award stage at paragraph 40 previously.

Councils should revisit the business case throughout the course of a project, particularly if things change. These changes could include developments in financing arrangements; adjusting the scope of the project or dealing with an external delay that affects the project. Revisiting the business case will help to ensure that the aims and objectives remain clear and that project benefits remain relevant. It is also a good basis for transparency and accountability, by making sure councils are seen to be continually monitoring progress against the business case.

Source: Audit Scotland

Councils have appointed in-house providers for some major projects

85. An important part of any business case for a major capital project is developing a procurement strategy. The preferred procurement route for any project should include a detailed assessment of value for money to ensure councils take the best option for cost, quality and, ultimately, the likelihood of a successful outcome to the project. The strategy should consider the use of competition in selecting and appointing a contractor for the work.

86. One option available to councils is to use in-house providers, including arm's-length external organisations (ALEOs). Glasgow City Council and Fife Council have both recently appointed in-house providers for major capital projects (Case study 5, overleaf).

In many cases, councils are not outlining the intended benefits of investment

Good practice – identifying the benefits

It is important that councils clearly define the intended benefits of a project from the outset to justify the investment decision and provide a benchmark against which they can measure progress. By doing so, it allows councils to track, monitor and measure the delivery of benefits as a project progresses.

Source: Audit Scotland

87. Councils are clear about the idea or vision for their major investment projects. However, we found that where councils had outlined intended benefits, they were often high-level; councils rarely specified measurable benefits from investment. For example, neither Moray Council's Flood Alleviation Scheme nor Scottish Borders Council's Waste Treatment project clearly outlined a benefits strategy covering how the councils would measure or assess

Case study 5

Procurement of in-house providers to deliver capital projects

Glasgow City Council contracted with City Building Glasgow LLP (CBG), its wholly owned subsidiary, to carry out two major capital projects: Phase 4 of their Pre-12 Schools Strategy and their Care Homes and Day Care Re-Provision. The projects have a combined estimated cost of £265 million. The council decided to award the contracts for both projects to CBG by single tender, under case law (the 'Teckal' case). This exempts the council from European procurement rules if the council controls the provider and the provider carries out the essential part of its activities for them. The council appointed a cost consultant to assess the value of the CBG tender price, who reported that it was in line with market prices.

Likewise, **Fife Council** contracted with its internal trading organisation Fife Building Services (FBS) through a single tender to deliver renovation works at their Bankhead Depot, at an estimated cost of £11.4 million. The award was made on the basis that FBS would deliver 30 per cent of works and subcontract the remaining 70 per cent. The council's Property Services team benchmarked the price for the FBS element.

Source: Audit Scotland

the achievement of project benefits identified at the initial approval stage of each scheme.

Councils do not have enough information to scrutinise effectively

Good practice – monitoring information

The success of any governance system will partly depend on the quality of the information provided to decision-makers. It is important that this information is tailored to each level within the governance structure and that the decision-makers at each level have all the information they need. Without good information, there is a risk that decision-makers will not be able to ensure that the project delivers best value for money.

Source: Audit Scotland

88. Councils regularly report to elected members on capital spending and on major projects. However, in many cases, performance reports focus on comparing spending against approved annual budgets with the risk that scrutiny concentrates on any slippage in this area.

89. Monitoring information does not routinely extend to project performance against earlier benchmarks for cost, timescales and benefits. Without this information, elected members may not be able to properly challenge decisions made during the project and scrutinise how well the projects are progressing. Councils generally have weak processes for developing business cases and where clear business cases are absent ambiguities can arise about the initial cost estimates. This, in turn, makes it difficult to benchmark later cost estimates.

90. Generally councils monitor risks with their capital investment activity by focusing on individual projects. Councils rarely undertake more strategic reviews on programme-level risks, their implications and the proposed action to lessen their impact. Project risks need to be visible at a programme level to gauge the wider implications to other projects and the programme itself. Councils should reflect individual project risks on a programme risk register. They then should review and update these regularly. By not assessing risk at a programme level, councils will be unable to explore opportunities that may arise or manage threats to the programme effectively. Improving the quality of programme risk reporting will increase the likelihood that councils will identify risks at an early stage, allowing them to take appropriate and timely action. It does not guarantee a successful outcome. But it can help resolve any potential problems that may arise.

91. Councils provide training to elected members on capital issues. In many cases this is restricted to one-off training for new members as part of their induction rather than as part of an ongoing training programme. Councils should consider developing a continuing programme of training for members on capital issues, using independent external advisers if necessary. Increasing the knowledge and expertise of members on capital investment issues will help them scrutinise and challenge capital investment plans.

Councils do not review all completed projects to learn lessons

92. There are a number of reasons why a major capital project might fail to deliver best value for the taxpayer. When a project fails to deliver it is often due to a number of contributory factors, such as:

- lack of a clear link between the project and strategic priorities
- lack of robust planning and assessment of expected costs and timetable
- lack of accountability and leadership from senior officials or elected members
- lack of effective engagement with stakeholders
- poor relationships between client and suppliers.

Good practice – lessons learned

Identifying lessons learned from projects after they are completed, both in terms of success and failure, are key to improving the way councils deliver future projects. However, councils often overlook this stage of a major project. They should assess the completed project to ensure that it meets business requirements and provides good-quality design and functionality. They should then apply any lessons learned to other projects that are being developed.

Source: Audit Scotland

93. A post-project evaluation is often the formal review carried out at this stage and has two main purposes:

- to review how the project was managed, from preparing the business case through to how it was delivered and completed
- to assess whether the intended benefits set out in the business case have been achieved.

Without carrying out a post-project evaluation, councils will not be able to clearly demonstrate the investment has been worthwhile or identify lessons learned and apply them to future projects.

94. Just over half of the 63 completed projects in our sample had been evaluated to assess whether they have delivered the intended benefits. Councils reported the following:

- For 34 projects (54 per cent), they have undertaken, or are scheduled to undertake, a formal post-project evaluation. For the other projects, some councils reported they had carried out ongoing evaluations throughout the project, while others reported a lack of money or people to carry out any post-project evaluation.
- For 36 projects (57 per cent), they have undertaken, or are scheduled to undertake, a post-occupancy evaluation (POE) to assess how well the building operates.
- For 20 projects, about a third of the total, councils reported carrying out formal design quality assessments. These assessments were more common for PFI projects – eight of these projects (50 per cent) had a formal assessment of design quality. Councils had formally assessed 12 of 47 traditional projects against design quality standards. Where councils had assessed projects against specific measures of functionality, build quality, impact and diversity and inclusion, most reported the project as having scored 'high quality' across these areas. The exception to this was in build quality, where 41 per cent reported only 'satisfactory'.
- For 24 projects, councils reported they had assessed them against environmental (BREEAM) criteria.[25] This was 42 per cent of projects where councils responded to this question and considered the assessment was relevant. The majority of projects were rated as 'excellent' or 'very good'. Councils completed such an assessment for 81 per cent of PFI school projects, compared to 27 per cent for traditionally financed schools.

There is limited evidence of collaboration in capital investment planning

95. Councils do not proactively seek opportunities to work with other councils or other public bodies in planning and delivering their capital programmes. Collaborating with others provides councils with the opportunity to improve performance by making more effective use of their resources. This can take various forms, including sharing resources such as buildings and staff, taking part in joint projects or joint procurement. It can also extend to sharing good practice and advice in delivering capital projects and programmes.

96. Sharing or rationalising the use of buildings, land and property can help generate significant savings on accommodation and maintenance costs. Although there are some examples of shared assets, joint procurement and joint projects, there is little evidence of councils systematically assessing the potential for increased joint working and the related costs and benefits. Where joint working had been considered, councils reported it was difficult to work effectively with other public bodies owing to conflicting timescales or priorities.

97. The Scottish Futures Trust (SFT), established by the Scottish Government in 2008, leads a number of initiatives to help public bodies collaborate to make their capital investment programmes more efficient. The SFT has a remit to examine and develop new financing arrangements for investment and work collaboratively with both public bodies and commercial enterprises.

98. One of the main activities of the SFT is to lead the Hub initiative. The Hub is a procurement process aimed at improving collaboration and joint working between public sector bodies through a joint venture. There are five regional hubs in Scotland, each incorporating councils, health boards, police, and fire and rescue services. They work in partnership to deliver new community assets, such as local 'drop-in' offices and health premises. Many councils have projects either planned or in construction through the initiative, with most projects to deliver new accommodation facilities. The first completed project was Drumbrae Library Hub in Edinburgh which includes library, daycare and community-use facilities.

25 Building Research Establishment Environmental Assessment Method. It sets the standard to describe a building's environmental performance.

Councils should improve procurement strategies

99. Some councils have established 'framework' contracts to procure and deliver their capital programmes. These are long-term agreements between a council and a panel of suppliers to undertake major investment programmes. Such agreements can result in significant savings compared to other strategies that involve repeated one-off tendering for individual projects. They can allow purchasers and suppliers to build up strong working relationships. This helps to reduce the potential of expensive legal disputes. They should also allow for projects to be procured quickly and more efficiently.

100. A number of councils have framework contracts in place. In 2011, Aberdeenshire Council established a framework contract of five contractors to deliver over £200 million worth of major capital works. Similarly, in 2009, Renfrewshire Council established a framework contract to deliver five major projects within its capital investment programme. While establishing framework contracts is recognised good practice, it should not prevent councils from seeking opportunities with other councils and public bodies in joint procurement practices.

101. There is limited evidence of councils becoming involved in collaborative procurement for construction activity. In most cases, councils adopt their own procurement practices without working with other public sector bodies to identify possible opportunities for generating efficiencies through joint procurement.

102. In August 2012, the Scottish Government published its consultation proposals for a new Procurement Reform Bill. These proposals would establish new rules for procurement by Scottish public bodies, with an aim of adopting more efficient procurement practices across the public sector. The Bill aims to:

- use public procurement, worth about £9 billion a year, as a lever for economic growth
- streamline the public sector's dealing with business
- adopt more efficient procurement practices
- secure value for money.

These proposals increase the profile of public procurement and the expectation that public bodies, including councils, implement, and can demonstrate, effective purchasing practice.

Recommendations

Councils should:

- develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders such as service users and suppliers as they develop these strategies
- assess the overall appropriateness of using borrowing and private finance within the investment strategy. The strategy should balance the costs, risks and rewards of using these methods to ensure plans are financially sustainable and help the council achieve value for money
- establish standard criteria for the content of business cases that reflects good practice and establish clearly defined project milestones for monitoring and reporting
- prepare detailed and robust business cases for every project. These should cover the intended aims and benefits, options appraisal, risk assessment and cost, time and scope targets
- actively look for opportunities for joint working with other councils, community planning partnerships and public bodies to improve the efficiency of their capital programmes. This should cover joint projects, sharing resources such as facilities and staff, sharing good practice and taking part in joint procurement
- improve the quality of capital project and programme information that is routinely provided to elected members. Information should cover:
  - annual financial performance against the capital budget
  - project and programme level performance against cost, time and scope targets
  - risk reporting (including identification, likelihood, financial impact and actions taken)
  - an assessment of intended and realised benefits
- consider developing a continuing programme of training for elected members on capital issues, using independent external advisers if necessary

- consult with stakeholders on its capital programme to ensure stakeholders are fully aware of council capital spending priorities and plans. This may create opportunities to generate efficiencies over the whole programme rather than restricting it to project specific issues
- improve how they manage risk and report on programme-level risk to members. Reports should provide details on the likelihood of risks occurring, potential impact and what proposals are in place to lessen the impact of risk
- carry out post-project evaluations within six months of a project being completed to find out if the projects have delivered, or are on course to deliver, the intended benefits and to learn lessons. The results should be reported publicly
- ensure lessons learned from projects are shared across services and other councils to help improve the successful delivery of future projects to time and cost targets.

Appendix 1

Audit methodology

The focus of our work was to assess how well capital investment is directed, managed and delivered within councils. For Part 1 we considered how much councils spend on capital investment, what this delivers and how it is funded. For Part 2 we focused on evidence from councils on the performance of recently completed projects and projects currently in progress. For Part 3 we focused on how well councils manage their investment spending as a programme.

Our audit had five main components:

- A questionnaire to all councils to collect data on all major capital projects completed between April 2009 and March 2012 and major capital projects in progress at April 2012.
- A detailed data survey of 63 completed projects.
- A case study review of 15 projects in progress.
- A review of capital programme management arrangements at nine councils.
- Desk research of existing information on council investment levels, debt and borrowing levels, types of financing and funding arrangements.

We did not consider capital investment relating to police and fire and rescue boards owing to their forthcoming mergers. We did not consider the Edinburgh trams project or projects relating to the Commonwealth Games in 2014 as these projects have been subject to separate Audit Scotland reports.

Initial data request

We requested data on all major capital projects completed between 1 April 2009 and 31 March 2012 from all 32 councils. This covered all types of projects, financing methods and projects where councils received financial contributions from other public or private sector bodies.

Data survey of 63 major capital projects

We analysed quantitative and qualitative data on a sample of 63 completed major capital projects. We selected this sample using information from the initial data request. The sample covered 28 councils, 52 per cent of the projects we had data for and 82 per cent of their total capital value. The survey requested data from each council on project cost, time, scope and quality. However, not all councils could provide all the data we requested as they were either not held or could not be accessed. Appendix 3 provides a full list of the projects included.[1]

Case study review of projects in progress

We reviewed a sample of major capital projects in progress to evaluate whether management controls and governance are effective. We selected the sample using the information we received from our initial request for data. The sample covered nine councils and 18 per cent of the total capital value.

We appointed Pricewaterhouse-Coopers after a competition to lead the case study reviews. Each case study included interviews with key project staff and a review of relevant project documents. The work was completed between August and December 2012 and therefore the status of each project may have changed since the review. The case study projects are identified in Exhibit 8 on page 18.

Review of capital programme management arrangements

We examined capital programme arrangements at a sample of nine councils: Aberdeenshire, Fife, Glasgow City, Moray, North Ayrshire, North Lanarkshire, Renfrewshire, Scottish Borders and The City of Edinburgh. These were the same councils included in the case study review noted above. We assessed how well councils managed their investment spending as a programme and how they could improve in this area. For this work we interviewed elected members, the Director of Finance or equivalent and other Heads of Service. We also reviewed a number of relevant documents.

Desk research and other analysis

We examined existing information such as trends in council capital spending, Scottish Government capital budget projections, sources of financing investment, and councils' borrowing levels and procurement activity. We reviewed published good practice on project and programme management, including information published by the Chartered Institute of Public Finance and Accountancy.

To help understand what levels of borrowing councils might need to make, we projected investment spending and financing using illustrative scenarios for variations in investment over the next eight years to 2020/21.

1 We have published separately on our website further information about individual projects in our sample.

Appendix 2

Methods of financing and funding capital investment in councils

Method	Potential
Capital grant	
The Scottish Government provides grant funding to each council on an annual basis. This has provided around a quarter of councils' capital budgets since 2000/01.	Looking ahead, the Scottish Government will reduce the capital grant to councils in real terms from £604 million in 2012/13 to £540 million in 2013/14, but will increase it to £733 million in 2014/15.
Prudential borrowing	
Introduced in 2004, it allows councils to borrow for capital investment. In doing so, each council must calculate and keep under review the amount of money it can afford to borrow with reference to the Prudential Code.	The potential for new borrowing depends, in part, on an assessment of affordability and therefore varies among councils. The City of Edinburgh (£151m), and North Lanarkshire (£93m) had the highest increases in underlying need for new borrowing in 2011/12. Eleven councils reduced their need for new borrowing, with Orkney Islands Council having the largest decrease of over £9 million.
Revenue budget	
Councils can transfer money from revenue budgets to capital budgets to fund capital investment.	The scope to transfer money from revenue budgets to capital budgets depends on how much councils are willing to reduce their revenue budgets.
Private finance initiative (PFI)	
PFI is a form of Public Private Partnership (PPP) where public and private sector partners agree a contract to build and maintain an asset that the public sector will use. The private sector partners pay for the up-front costs of building and ongoing maintenance in return for annual payments from the public sector. Contracts are usually for 25 to 30 years after which the asset either remains with the private sector or is transferred to the public sector.	Twelve councils have plans to use PFI for waste projects, although information on these is limited. Councils continue to operate a number of previously signed PFI contracts, mainly for schools projects.
Non-profit distributing (NPD)	
NPD is another form of PPP. As with PFI, there is a partnership with a private sector company, which pays up-front construction and ongoing maintenance costs. However, NPD contracts limit the profits that the private sector company may retain. Any surplus profit is reinvested in the public sector. The public sector pays an annual charge over the life of the asset from its revenue budget.	Four councils have each approved an NPD contract for new schools in their area, with a combined estimated capital value of £370 million. However, most councils are now pursuing new schools projects through the Hub initiative, which is more suitable for the smaller scale of projects included.
User charging	
However the project is funded, the public sector can help pay for it over time by charging the public to use the asset. Examples of user charging include road tolls and waste disposal charges.	This is restricted to certain assets and services such as museums, waste collection and leisure facilities.

Method	Potential
The Hub initiative	
The Scottish Futures Trust is leading hub implementation across five geographical territories in Scotland. The hub is a partnership-based approach to providing new community assets such as new health premises and other facilities for local community services. In each territory the initiative aims to bring together community planning partners (health boards, councils, police and fire and rescue services), the SFT and a private sector development partner in a joint venture delivery company called a hubco. Five hubcos were established between 2010 and 2012 and have awarded some initial contracts. Public bodies may acquire new projects through the hub using either traditional or private financing.	The hub aims to increase the value for money of construction procurement through better collaboration in the public sector and partnership with private sector suppliers. Previous Audit Scotland reports have identified the need for improvement in these areas. Hubco plans anticipate that they will deliver £2 billion worth of education, transport, health and community services projects over the next ten years. This includes plans for 29 secondary schools projects with an estimated capital value of over £800 million, to be taken forward within the Scottish Schools for the Future programme. The SFT estimates it will give significant financial benefits, including efficiencies of two to three per cent of total project spending and lower procurement costs.
Tax incremental financing (TIF)	
Many councils are considering using TIF to finance capital investment, although no additional investment under TIF has yet gone beyond the planning stage. Under TIF, investment is intended to be ultimately self-financing: • Projects need to be able to deliver regeneration and sustainable economic growth. • Councils invest in infrastructure, such as new access roads, to promote growth in a specified regeneration area. The objective is to attract and permit additional private sector investment - such as new shops, offices or factory space - in the same area. • Councils borrow to pay for their investment; however, the Scottish Government allows them to keep a greater share of the anticipated extra non-domestic rates income expected to flow from the additional private sector investment in the specified area. • If all goes to plan, in the short term the anticipated future additional income allows councils to borrow and repay more than would otherwise be affordable; in the long term the extra income pays for the infrastructure investment at no net additional cost to councils.	Three councils – North Lanarkshire, Glasgow City and The City of Edinburgh – have had business plans approved by Scottish Ministers for TIF projects, but have not made any financial commitments. A further three councils – Falkirk, Fife and Argyll and Bute – are working alongside the SFT to develop TIF business cases.
Capital receipts	
Councils can use income from selling assets to pay for new projects. In most cases councils use these receipts to supplement funding from grants.	During 2012/13, 25 councils planned to sell existing assets with a combined book value of £91 million. A further £62 million worth of assets are held for disposal at a later date, of which Glasgow City Council holds £55 million. However, any income received will depend on the sale price and conditions of each sale.

Appendix 3

Sixty-three completed projects analysed in our audit

Project reference	Council	Project name	Project outturn capital cost (£) [1]	Lifetime contract cost (£) [2]	Year of completion (ready for service)
Denotes PFI projects. PFI project references are also suffixed '-P'. All other projects were traditionally financed.					
ACC-P	Aberdeen City	3Rs School Programme	124,800,000	181,700,000	2011
ACC3	Aberdeen City	Marischal College	68,300,000		2011
ACC1	Aberdeen City	Regional Sports facility (Phase 1)	27,800,000		2009
ACC2	Aberdeen City	Rosewell House	8,700,000		2009
Angus-P	Angus	Forfar / Carnoustie Schools Project	42,300,000	75,500,000	2009
Angus	Angus	Seaview Primary School	6,000,000		2009
CEC-P	City of Edinburgh	PPP2 Schools Programme		270,600,000	2010
CEC5	City of Edinburgh	Braid Burn Flood Prevention Scheme	43,000,000		2010
CEC2	City of Edinburgh	Usher Hall	25,475,247		2009
CEC1	City of Edinburgh	Housing - Gracemount	6,000,000		2012
CEC4	City of Edinburgh	Inch View Care Home	8,895,000		2011
CEC3	City of Edinburgh	Redhall MLD Primary School	7,566,000		2008
Clack-P	Clackmannanshire	3 secondary schools project	65,500,000	93,800,000	2009
DG-P	Dumfries & Galloway	Schools PPP project	108,824,000	176,898,000	2010
DG	Dumfries & Galloway	Cargenbridge Depot	7,300,000		2010
DCC-P	Dundee City	Schools PPP project - phases 1-5	90,000,000	145,000,000	2009
DCC3	Dundee City	Dundee House	35,200,000		2011
DCC1	Dundee City	Kingspark Special School	13,700,000		2010
DCC2	Dundee City	Whitfield Primary School	8,000,000		2012
EDC-P	East Dunbartonshire	Schools PPP project	134,100,000	183,100,000	2009
EDC	East Dunbartonshire	Kirkintilloch Health & Social Care Centre	8,900,000		2009
ELC3	East Lothian	New Dunbar Upper Primary School	10,000,000		2011
ELC2	East Lothian	Housing - Brunt Court	8,600,000		2011

Notes:
1 Latest reported cost. Estimated construction cost for PFI projects.
2 For PFI projects only. This is the estimated Net Present Cost of contract.

Project reference	Council	Project name	Project outturn capital cost (£) [1]	Lifetime contract cost (£) [2]	Year of completion (ready for service)
ELC1	East Lothian	Kinwegar Waste Recycling Centre	3,800,000		2010
ERC	East Renfrewshire	Isobel Mair School	12,118,000		2011
Falkirk-P	Falkirk	Schools PPP project	115,500,000	167,390,000	2009
Fife1	Fife	Carnegie Leisure Centre refurbishment	20,050,000		2011
Fife2	Fife	Leven Primary Schools	9,600,000		2010
GCC2	Glasgow City	Riverside Museum	84,700,000		2011
GCC1	Glasgow City	River Clyde Regeneration - quay walls, public realm and bridge	30,600,000		2009
High-P	Highland	Education PPP2	133,900,000	246,700,000	2009
High2	Highland	Raasay Ferry Terminal	13,400,000		2010
High1	Highland	Highland Archive & Registration Centre	10,400,000		2009
High3	Highland	Lochaber High Phase 2 refurbishment	7,700,000		2011
Inverclyde-P	Inverclyde	Schools PPP project	77,600,000	124,200,000	2011
Midlothian1	Midlothian	Woodburn Primary School	10,900,000		2009
Midlothian3	Midlothian	Housing - Site 16 Eskvale Road	9,400,000		2010
Midlothian2	Midlothian	Cuiken Primary School	7,600,000		2009
Moray1	Moray	Forres Burn of Mosset Flood Alleviation Scheme	21,100,000		2009
Moray2	Moray	Council Headquarters Annexe	7,100,000		2011
NAC	North Ayrshire	Bailey Bridge	5,400,000		2010
NLC3	North Lanarkshire	Ravenscraig Regional Sports Facility	33,176,399		2010
NLC4	North Lanarkshire	Cathedral & Firpark PS campus & Daisy Park Community Centre	19,090,500		2011
NLC1	North Lanarkshire	Buchanan Centre	18,200,000		2010
NLC2	North Lanarkshire	Motherwell Theatre Refurbishment	6,700,000		2012
PKC-P	Perth & Kinross	Investment in Learning Programme	135,800,000	217,600,000	2011

Project reference	Council	Project name	Project outturn capital cost (£) [1]	Lifetime contract cost (£) [2]	Year of completion (ready for service)
PKC	Perth & Kinross	Errol Primary School redevelopment	6,600,000		2009
Ren2	Renfrewshire	Renfrew High School refurbishment	9,900,000		2010
Ren1	Renfrewshire	Johnstone High School (part 2) refurbishment	8,700,000		2009
SBS-P	Scottish Borders	Schools PPP project	76,300,000	110,500,000	2009
SBS	Scottish Borders	Kingsland Primary School	8,400,000		2010
SIC	Shetland Islands	New Mid Yell Junior High School	8,700,000		2010
SAC-P	South Ayrshire	Schools PPP project	76,300,000	127,700,000	2009
SLC-P	South Lanarkshire	Secondary Schools Modernisation Programme	318,900,000	406,600,000	2009
SLC	South Lanarkshire	Primary Schools Modernisation Programme	180,500,000		2012
Stirling2	Stirling	Peak Sports Village	27,200,000		2009
Stirling1	Stirling	Bannockburn High School Refurbishment	11,600,000		2010
WDC-P	West Dunbartonshire	Schools PPP project	96,992,000	137,049,000	2010
WDC	West Dunbartonshire	Goldenhill Primary School	7,200,000		2010
WLC-P	West Lothian	Schools PPP project	60,800,000	89,800,000	2009
WLC3	West Lothian	West Lothian Civic Centre	46,787,046		2009
WLC1	West Lothian	St Kentigern's Academy refurbishment	20,956,213		2009
WLC2	West Lothian	James Young High School refurbishment	18,515,997		2009

Notes:
1 Latest reported cost. Estimated construction cost for PFI projects.
2 For PFI projects only. This is the estimated Net Present Cost of contract.

Appendix 4

Project advisory group members

Audit Scotland would like to thank members of the project advisory group for their input and advice throughout the audit.

Member	Organisation
Ian Black	Director of Finance & Shared Services, East Dunbartonshire Council
Alan Carr	Board member, Civil Engineering Contractors Association
Stephen Crichton	Head of Corporate Finance, Glasgow City Council
John Fyffe	Executive Director (Education), Perth and Kinross Council
Alison Hood	Audit Manager, National Audit Office
Michael Levack	Chief Executive, Scottish Building Federation
Peter Reekie	Director of Finance & Structures, Scottish Futures Trust

Note: Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

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Inverclyde council

AGENDA ITEM NO. 7

Report To: **Policy & Resources Committee**		**Date: 13th August 2013**
Report By:	**Chief Financial Officer**	**Report No: FIN/48/13/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No: 01475 712223**
Subject:	**Inverclyde Council - Reserves Policy**	

1.0 PURPOSE

1.1 The purpose of this report is to seek Committee approval for the Council's revised Reserves Policy.

2.0 SUMMARY

2.1 The Council has a significant level of reserves and in line with good practice the Council is required to have a policy which is reviewed on a regular basis to govern its reserves.

2.2 The Council's Reserves Policy was last reviewed in 2008 immediately following the transfer of the Council's housing stock. It is proposed that in future the Reserves Policy is reviewed no less frequently than 3 yearly.

2.3 The Reserve Policy covers 4 main matters:

a) The statutory and good governance requirement for a Reserves Policy.
b) The types of reserves operated by the Council
c) The proposals for the governance of the various funds and reserves.
d) The arrangements for reporting and review.

2.4 The proposed policy has been considered and approved by the Corporate Management Team.

2.5 The Committee are asked to agree that the Strategic Housing Reserve, which was originally the Housing Repairs and Renewals Fund, be moved from the Earmarked Reserves and be incorporated within the Repairs and Renewals Fund.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy & Resources Committee endorses the attached Reserves Policy and agrees that the next review of this Policy will be no later than August 2016.

3.2 That the Committee agree that the Strategic Housing Reserve be added to the Repairs and Renewals Fund.

Alan Puckrin
Chief Financial Officer

Inverclyde council

Reserves Policy

1.0 Introduction

1.1 It is a requirement as good financial practice that the Council has a documented and approved Financial Reserve Policy.

1.2 Local Authority Accounting Practice (LAAP) Bulletin 77 published in November 2008 provides advice from CIPFA in respect of Local Authority Reserves and Balances.

1.3 The following Policy reflects the key messages from the LAAP Bulletin and also outlines the practical application within Inverclyde Council.

2.0 LAAP Bulletin 77 – Main Messages

2.1 In Scotland there are explicit statutory powers under Schedule 3 of the Local Government (Scotland) Act 1975 permitting Local Authorities to establish a Renewal and Repair Fund, an Insurance Fund and Capital Fund alongside a requirement to maintain a General Fund Reserve.

2.2 Within the General Fund Reserve, Scottish Local Authorities are allowed to earmark specific parts for specific purposes.

2.3 It is the duty of the Chief Financial Officer to report on the robustness of estimates and adequacy of reserves as part of his statutory duty. This requirement also needs to take account of the requirements of CIPFA's Prudential Code in respect of affordability when making recommendations about the Council's future Capital Programme.

2.4 The LAAP Bulletin makes it clear it is not the responsibility of External Auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

2.5 Whilst not prescribing a generally acceptable minimal level of reserves, the LAAP Bulletin makes it clear that reserves should not be held without a clear purpose. This purpose however does include "a contingency to cushion the impact of unexpected events or emergencies".

2.6 Over and above the resource backed reserves outlined in paragraph 2.1 there are other reserves which are not resource backed which appear in the annual accounts.

2.7 In the case of Earmarked Reserves then there should be a clear protocol setting out the purpose of the reserve, how and when the reserve can be used and a process for review of the reserve to ensure continuing relevance and adequacy. The protocol for Inverclyde Council is shown in Appendix 1.

2.8 The LAAP Bulletin concludes that "it is not normally prudent for reserves to be deployed to finance recurrent expenditure" and "where such action is taken it should be made explicit and an explanation given as to how such expenditure will be funded in the medium to long term".

3.0 Types of Reserves Operated by Inverclyde Council

3.1 <u>General Fund Reserve</u>

The General Fund Reserve is split into an non Earmarked portion and Earmarked Reserves. The former is often referred to as the "Free Reserve" and it is held for unforeseen emergencies and contingencies. In the past Council policy has been that Free Reserves should not be lower than 2% of annual turnover where turnover is defined as General Government Revenue Grant Income and Council Tax Budgeted Income. Earmarked Reserves are sums of money retained for specific purposes.

3.2 Repairs and Renewals Fund

The Repairs and Renewals Fund contains funds which have been set aside for specific maintenance purposes often arising from a commuted sum given to the Council as part of an asset transfer deal. Such cases include the Council taking on the maintenance of Greenock Cut, the Railway Bridge at Inverkip, the maintenance of some landscaping areas adjacent to the A8 in Port Glasgow Town Centre and the former Housing Repairs and Renewals Fund which has been set aside to meet unavoidable contamination costs on former HRA sites.

3.3 Capital Fund

A Capital Fund receives income arising from the sale of Capital assets and can be used to incur Capital expenditure or assist meeting the principal repayments of loans charges.

3.4 Insurance Fund

The Council maintains an Insurance Fund as income and expenditure in relation to Insurance claims do not fall evenly on an annual basis. Given the long term nature of some Insurance claims then it is important that the Council has an appropriate balance to meet these claims some of which could relate to events which happened decades ago. The Council receives advice on the appropriate level of Insurance Fund via a triennial actuarial valuation.

4.0 Governance Reserves

4.1 It is important that there is clarity on the rules and responsibilities in respect of governance of the Council's Funds and Reserves. Taking each in turn then the governance arrangements are as follows:-

a) General Fund Reserve -

   i. Level of Free Reserves agreed as part of the Reserve Policy and reviewed no less frequently than 3 yearly by the Policy & Resources Committee.
   ii. Projected Balance reported to each cycle of the Policy & Resources Committee.
   iii. Reported six monthly to the full Council as part of the review of the Financial Strategy.

b) Earmarked Reserves –

   i. Creation of Earmarked Reserves approved by the Policy and Resources Committee.
   ii. Update in respect of Earmarked Reserves given to each Service Committee.
   iii. Update in respect of Earmarked Reserves reported monthly to the Corporate Management Team.

c) Repairs and Renewal Fund –

   i. Additions to the Repairs and Renewal Fund require Policy & Resources Committee approval.
   ii. Annual expenditure budgets allocated to Services as part of the budget process and monitored via the normal budget monitoring process.
   iii. Update in respect of the Repairs and Renewal Fund provided as part of the six monthly review of the Financial Strategy.

d) Capital Fund –

i. All receipts from sales of assets are paid into the Capital Fund unless otherwise approved by the Policy & Resources Committee.
ii. Decisions to utilise the Capital Fund approved by the Policy and Resources Committee.
iii. Capital Fund update reported as part of the Financial Strategy on a six monthly basis.

e) Insurance Fund –

i. Insurance Fund Balance reviewed and reported as part of the Annual Accounts.
ii. Annual report in respect of the Insurance Fund reported to the Policy & Resources Committee.
iii. Outcome of the triennial actuarial review is reported to the Policy & Resources Committee.

5.0 Reporting & Review

5.1 The Reserve Policy requires to be reviewed and approved no less frequently than three yearly and by the Policy & Resources Committee.

5.2 In the event that it is projected that the Council's Non-Earmarked General Fund Reserve will fall below the 2% of limit then the Chief Financial Officer should report no later than the next meeting of the Policy & Resources Committee explaining the reasons for this shortfall and the options available to rectify the situation.

Alan Puckrin
Chief Financial Officer
July 2013

Inverclyde council

Appendix 1

Earmarked Reserves Process

1. An earmarked reserve cannot be established without the approval of the Chief Financial Officer and the Policy & Resources Committee.

2. For each earmarked reserve there needs to be a clear documented understanding of the purpose of the reserve, the timescale for which the reserve is required and anticipated phasing.

3. For earmarked reserves projecting over £50,000 of spend during the year then the annual spend requires monthly phasing.

4. As part of the year end accounts the remaining balance and continuing purpose of the earmarked reserve requires to be reviewed by the budget holder and approved by Finance.

5. Any earmarked reserve not required is to be written back to the General Fund reserves.

Finance Services
June 2013

Inverclyde council

AGENDA ITEM NO. 8

Report To:	**Policy & Resources Committee**	**Date:**	**13th August 2013**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/47/13/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Non Domestic Rates – Short Term Part Empty Relief**		

1.0 PURPOSE

1.1 The purpose of this report is to seek Committee approval for the Short Term Part Empty Relief (Non Domestic Rates) Policy.

2.0 SUMMARY

2.1 There are a number of reliefs in respect of Non Domestic Rates which the Council has either a mandatory requirement or discretion to award. It is important that the Council has policies approved by Committee for Officers to administer.

2.2 In developing Non Domestic Relief Policies the Council needs to achieve a balance between supporting the local business community, providing consistency, having a clear and understandable application process and finally containing any costs within approved budgets.

2.3 Members have not previously approved a Short Term Part Empty Relief Policy. A draft policy prepared between Finance Services and Regeneration & Planning Services is attached at appendix 1 for Committee to consider. The policy has been drawn up after reviewing the relevant legislation and seeking information from other Councils in respect of their approaches. It should be noted that the proposals contained in this report are arguably the most generous currently offered by Councils who responded to the survey.

2.4 The need for Committee to approve the policy at this point in time is because the Council has a small number of requests from local businesses to apply Short Term Part Empty Relief. It is however the intention to submit a comprehensive draft Non Domestic Relief Policy for the Policy & Resources Committee to consider at its November meeting. This will thereafter be subject to consultation with the local business community via the Economic Regeneration Service.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Committee approve the draft policy for Short Term Part Empty Relief from Non Domestic Rates.

3.2 It is recommended that the Committee note that a comprehensive draft Non Domestic Rates Relief Policy document will be presented to the November meeting of the Policy & Resources Committee for consideration.

Alan Puckrin
Chief Financial Officer

Inverclyde Council – Finance Services
Revenues and Benefits

Non-Domestic Rates Policy

Short Term Part Empty Relief

Date produced/reviewed:	**June 2013**
Prepared by:	**Liz Brown**
Approved by:	

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1.0 Introduction

This document details the policy of Inverclyde Council with regard to Short Term Part Empty Relief for Non Domestic Rates and the procedures that should be followed in awarding relief.

2.0 Background

Section 24A of the Local Government (Scotland) Act 1966 (as amended by section 155 of the Local Government etc. (Scotland) Act 1994) states:

(1) if it appears to the rating authority that part of any lands and heritages included in the valuation roll is unoccupied but will remain so for a short time only, the authority may request the assessor to apportion the rateable value between the occupied and unoccupied parts and on being thus requested the assessor shall apportion the rateable value accordingly.

(2) As from whichever is the later of the following:

(a) The date on which lands and heritages the rateable value of which has been apportioned under subsection (1) above became partly occupied;
(b) The commencement of the financial year in which the request under that subsection relating to those lands and heritages was made,

Until whichever of the events specified in subsection (3) below first occurs, the value apportioned to the occupied part of the lands and heritages shall, subject to subsection (4) below, be treated for rating purposes as if it were the rateable value ascribed to the lands and heritages in the valuation roll.

(3) The events mentioned in subsection (2) above are—

(a) The reoccupation of any of the unoccupied part;
(b) The end of the financial year in which the request was made;
(c) A further apportionment of the value of the lands and heritages taking effect under subsection (1) above;
(d) The lands and heritages to which the apportionment relates becoming completely unoccupied.

(4) Where any lands and heritages fall within such class or classes of lands and heritages as may be prescribed by the Secretary of State by regulations, the value to be treated for rating purposes as if it were the rateable value ascribed to the lands and heritages in the valuation roll shall be the sum of—

(a) The value apportioned to the occupied part of the lands and heritages; and
(b) One half of the value apportioned to the unoccupied part of the lands and heritages.

(5) Notwithstanding paragraph (b) of subsection (3) above, if it appears to the rating authority that the part of the lands and heritages which was unoccupied at the date of an apportionment of the rateable value thereof under subsection (1) above has continued after the end of the financial year referred to in that paragraph to be unoccupied but will remain so for a short time only, the authority may direct that the apportionment shall continue to have effect for the next financial year; and subsections (2), (3)(a), (c) and (d) and (4) above shall have effect in relation to that year accordingly. "

3.0 Eligibility

Legislation does not define what constitutes a short time and it is therefore the responsibility of the Council to determine what constitutes a short period of time. For the purposes of this policy "a short time" is defined as a period not less than 1 month but not exceeding 24 months.

- Applications will be considered where the ratepayer advises that part occupation of the property is to last for a minimum period of 1 month and a maximum period of 24 months. If a ratepayer indicates that their part occupation is long term, i.e. likely to continue for more than 24months then no rateable value apportionment will be considered beyond the maximum period.

- Applications will be considered in respect of industrial properties only.

- Any relief from rates due to part occupation cannot exceed 24 months in any 5 years. This may consist of a number of separate claims over a maximum of 3 different financial years in a 5 year period. This is to prevent a ratepayer from continuously keeping a part of their property empty to avoid full rates

- If a part empty period is likely to extend beyond 12 months a maximum of 12 months relief can be awarded initially. A review will be carried out at the end of the 12 months which will require a revised business plan to be submitted and an inspection of the premises. If the Council are satisfied up to a further 12 months relief can be awarded.

- A fresh application must be made whenever there is a change to the part occupation of the property so that the correct apportioned rateable value is used in the relief calculation.

- Once a period of part occupation has ended the property must be occupied for a period of 42 days (6 weeks) before a ratepayer can apply for a further relief period.

- In the event that arrears of Non Domestic Rates exist it will be a condition of any relief award that a repayment plan is agreed with Finance Services and adhered to. If the repayment plan is defaulted the relief may be withdrawn.

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- In exceptional circumstance a case which merits special consideration may be considered under this policy even if some elements of the policy criteria are not satisfied, providing the relevant legislation is complied with.

- Applications will be considered jointly by Finance Services and Economic Development.

- The Chief Financial Officer and Head of Regeneration and Planning may consult with other Services as appropriate, and will assess the extent to which an award safeguards employment and promotes local economic development.

4.0 Application Process

In order to make an application for Part Empty Short Term Relief an application must be submitted with supporting evidence.

- Application to be made by the ratepayer (or their representative) liable to pay Non Domestic Rates on the property.

- Applicants will be required to complete an application form and provide a plan showing the unoccupied area(s).. The unoccupied area must be satisfactorily sectioned off.

- In order for the application to be fully considered audited accounts and a business plan must also be submitted along with any other supporting information and evidence to support their claim.

- Applications must be submitted immediately the property becomes unoccupied and no relief will be granted for any period prior to the application receipt date.

- Applications will not be considered retrospectively.

- All applications to be submitted to Finance Services for consideration by Finance Services and Economic Development. Any case with exceptional circumstances and outside the normal criteria will be considered by the Chief Financial Officer and Head of Regeneration and Planning.

- Prior to requesting an apportionment of the rateable value, an inspection visit may be made to the property to establish eligibility.

- If an application meets the qualifying criteria then a request will be made to the Assessor to provide an apportioned rateable value for the unoccupied part of the property.

- The apportioned rateable value must be equal to or greater than 5% of the subject's total rateable value.

- All applications will be processed within 21 days once all information is received.

- The rates payable will be charged in accordance with legislation. The occupied part of a property will be charged at 100%. The unoccupied part of a property will be charged in accordance with legislation for the duration of the short-term empty period unless the property is industrial, in which case there is no charge. .

5.0 Monitoring Process

Applications will be subject to periodic reviews and the property will be visited up to 4 times per year by Economic Development.

In the case of empty periods extending beyond 12 months, a review will be carried out at the end of 12 months which will require audited accounts and a revised business plan to be submitted, an inspection of the premises will also be carried out.
Any applicant subsequently found to have deliberately misled the Council as to their intentions in relation to this policy may have any relief previously awarded withdrawn

6.0 Appeal process

Applicants who disagree with any decisions in relation to this policy have a right of appeal to the Chief Financial Officer.

7.0 Financial Implications

There are no financial implications for the Council, under the National Rates pooling arrangements 100% of the cost will be met by the Scottish Government.

Inverclyde council

AGENDA ITEM NO. 9

Report To:	**Policy & Resources Committee**	**Date: 13th August 2013**
Report By:	**Chief Financial Officer**	**Report No: FIN/49/13/AP/LA**
Contact Officer:	**Alan Puckrin**	**Contact No: 01475 712223**
Subject:	**Methods of Council Tax Payment**	

1.0 PURPOSE

1.1 The purpose of this report is to seek Committee approval for the Council to cease accepting payments by Standing Order for Council Tax with effect from the financial year 2014/15.

2.0 SUMMARY

2.1 As technology evolves it is important that the Council regularly reviews the methods it makes available for customers to interact with the Council. One high volume area relates to the payment of Council Tax.

2.2 Currently less than half the Councils in Scotland now accept payment by Standing Order as there are cheaper, more efficient alternatives which are also less prone to error.

2.3 At a time when the Service has seen significant reductions in its Council Tax billing and collection resource it is clear that the Council cannot guarantee that there will not be errors in those small number of cases where payment is made by Standing Orders and in addition to the time spent in trying to avoid the errors, time is then spent in interacting with customers who are understandably unhappy with the level of service provided by the Council.

2.4 It is proposed therefore that the Council stops accepting payments by Standing Orders with effect from the financial year 2014/15. The Council is however asked to note that by that time it will be able to accept online payments for Council Tax thus opening up a further route for customers to use.

3.0 RECOMMENDATION

3.1 It is recommended that the Committee approve the cessation of the acceptance of Standing Orders as a method of payment for Council Tax with effect from the financial year 2014/15.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

4.1 The Council currently accepts payment of Council Tax from a variety of methods including Direct Debit, Standing Order, Cheque & Cash and over the phone.

4.2 As technology evolves and society changes the way that it interacts with public authorities, it is important that the Council regularly reviews and modernises the ways in which customers interact with the Council.

4.3 The value and volume of payments via Standing Orders for Council Tax have gradually reduced over the years with the figures for 2012/13 being that approximately 500 households were paying by Standing Orders which total payments of £620,000. This equates to 1.7% of all Council Tax income.

5.0 CURRENT POSITION

5.1 Payments by Standing Orders require a significant amount of manual intervention to avoid errors. Given the significant reductions in the size of the Council Tax team in recent years the Service cannot fully guarantee that errors (which requires manual checks to avoid) will not occur. Appendix 1 lists the work rounds for Standing Orders and compares this with Direct Debits.

5.2 When errors occur understandably customers are annoyed and will often complain and this then takes further staff time investigating the error, trying to explain the nature of the error to the customer and rectifying the error made.

5.3 What is not known is the number of Standing Order payers who receive Council Tax reminders in error but do not complain. As the Council is striving to improve levels of customer service it is not ideal to have a method of payment which is unreliable.

5.4 The Finance Service carried out a survey of the 32 Local Authorities in Scotland the results of which are attached as appendix 2. From this it can be seen that whilst all 32 Councils accept payment by Direct Debit and 30 Councils accept payment online or over the phone only 14 continue to accept payment by Standing Orders. This reflects not only the wider changes in the use of Standing Orders but also the technical complexities of using Standing Orders for a high volume, recurring payment such as Council Tax.

6.0 PROPOSALS

6.1 It is proposed that from the financial year 2014/15 the Council no longer accepts payment for Council Tax by Standing Order. By making a decision now the Committee allows the Finance Service sufficient time to communicate with those households who currently pay by Standing Orders and encourage them to move to Direct Debit.

6.2 In the event that there is a reluctance to move to Direct Debit then the Council still will accept payment over the phone or at the Customer Service Centre. In addition the Council will be in a position to accept online payments for Council Tax by 2014 thus offering a further route for customers to pay their Council Tax.

7.0 CONCLUSIONS

7.1 The use of Standing Orders to pay Council Tax causes technical difficulties which the Council is unable to resolve. At a time when there is significant pressure on budgets and for processes to be as streamlined and efficient as possible, this situation is not sustainable.

7.2 By the Committee taking a decision now to cease the acceptance of Standing Orders for the payment of Council Tax from 2014/15 it gives a 6 month period for customers to consider their options and officers will give full support and advice to customers in this regard.

8.0 IMPLICATION

8.1 Financial – Whilst there will be some concern that there may be a drop off in Council Tax payments as a result of withdrawing Standing Orders this is not considered to be a high risk to the Council as those customers who pay by Standing clearly have a desire to pay their Council Tax and with the correct support and advice will continue to do so from 2014/15.

8.2 Legal – There is no legal requirement for the Council to offer Standing Order as a method of payment to the Council.

9.0 REPOPULATION

9.1 The move by the Council to accept online payments and specifically online payments for Council Tax can only be viewed positively by individuals considering moving to the Council area. This will bring the Council in line with the vast majority of other Councils in Scotland and open the doors for further improvements in Customer Service.

Inverclyde council

Appendix 1

Standing Orders

Advantages

- Customers retain full control of payments
- Council is receiving a payment

Disadvantages

- Requires to be renewed annually
- Need to ensure amount/reference numbers are correct
- Any changes need to be advised to the bank
- Payments to be received by 7th of the month

Problems for the Council

- High level of incorrect reference numbers
- Payments made to wrong years/wrong amount
- Insufficient time often left before 7th payment date for changes to be made
- Automated recovery processes need to be adapted for extra manual checks
- All this takes time and despite best efforts can lead to errors

Direct Debits

Advantages

- Easy to set up, convenient and safe
- Automatically renewed annually and backed by the Direct Debit Guarantee
- Choice of payment dates
- Changes automatically implemented and notified in advance
- Can be set up over the phone
- Lowest cost of transaction of all methods

Disadvantages

- Perceived lack of control by customer

Problems for Council

- None

Appendix 2

Name of Council	DD	SO	ON-LINE	PHONE	COUNCIL OFFICES	INTERNET BANKING
Aberdeen City	✓	✓	✓	✓	✓	
Aberdeenshire	✓		✓	✓	✓	✓
Angus	✓	✓				
Argyll & Bute	✓		✓	✓	✓	
Clackmannanshire	✓		✓	✓	✓	
Dumfries & Galloway	✓		✓	✓	✓	✓
Dundee City	✓		✓	✓	✓	✓
East Ayrshire	✓	✓	✓	✓	✓	
East Dunbartonshire	✓	✓	✓	✓	✓	
East Lothian	✓		✓	✓	✓	
East Renfrewshire	✓		✓	✓	✓	
Edinburgh City	✓		✓	✓		
Eilean Siar	✓		✓	✓	✓	
Falkirk	✓		✓	✓	✓	
Fife	✓		✓	✓	✓	✓
Glasgow City	✓		✓	✓	✓	
Highland	✓	✓	✓	✓	✓	✓
Inverclyde	✓	✓		✓	✓	
Midlothian	✓		✓	✓	✓	
Moray	✓	✓	✓	✓	✓	
North Ayrshire	✓	✓	✓	✓	✓	
North Lanarkshire	✓	✓	✓	✓	✓	✓
Orkney	✓		✓	✓	✓	
Perth & Kinross	✓	✓	✓	✓	✓	
Renfrewshire	✓	✓	✓	✓	✓	
Scottish Borders	✓		✓			
Shetland Islands	✓		✓	✓	✓	
South Ayrshire	✓	✓	✓	✓	✓	
South Lanarkshire	✓	✓	✓	✓	✓	
Stirling	✓		✓	✓	✓	✓
West Dunbartonshire	✓		✓	✓	✓	
West Lothian	✓	✓	✓	✓	✓	

Inverclyde council

AGENDA ITEM NO. 10

Report To:	**Policy & Resources Committee**	**Date:**	**13th August 2013**
Report By:	**Chief Financial Officer**	**Report No:**	**FIN/46/13/AP/CM**
Contact Officer:	**Alan Puckrin**	**Contact No:**	**01475 712223**
Subject:	**Water Direct Pilot**		

1.0 PURPOSE

1.1 The purpose of the this report is to obtain Committee approval for the Council to act as a pilot in respect of the Water Direct Scheme which the Scottish Government is keen should be progressed.

2.0 SUMMARY

2.1 The Scottish Government, supported by Scottish Water, have been pressing Councils to adopt Water Direct deductions for the past year or so. Water Direct operates successfully down in England where Councils are not responsible for billing and collecting Water and Sewerage Charges. In Scotland there is joint billing for Council Tax and Water and Sewerage and this presents complexities which are being discussed between Government Officials, Scottish Water Officials and representatives from the Directors of Finance Section. A detailed note about the scheme along with real life examples is contained in Appendix 1.

2.2 Under the Water Direct Scheme not only would the current deductions from a debtor's Welfare Benefits continue (up to a total limit of £10.80 per week) but additional deductions could be made to recover the current years water charge. It should be noted that the Water Direct model cannot be applied to Council Tax debt but to Water and Sewerage debt only.

2.3 The Scottish Government is in the final stages of getting legal confirmation that the Water Direct Scheme can operate in Scotland without any need for further legislation. It is expected that this approval will be received in coming weeks. Thereafter the Scottish Government is keen that Councils begin to pilot this arrangement and have identified Inverclyde as an area where they would be keen to implement the pilot.

2.4 The reasons for selecting Inverclyde are as follows;

a) Inverclyde has been at the forefront of discussions with Scottish Water regarding the need to improve collection rates and for Councils to receive fair reimbursement for the role that it carries out for Scottish Water.

b) Inverclyde Council has been able to produce the necessary management information which many Councils have not been able to achieve to date.

c) Inverclyde Council has a demographic where there are a higher number of house holds who pay Water and Sewerage debt only. Under the current pilot it would only be proposed to operate Water Direct for these households to avoid the complexities of splitting Council Tax debt from Water and Sewerage debt.

d) The Council has previously piloted electronic data exchange methods with the DWP for processing large bulk deductions and this is recognised by the DWP who are also keen for Inverclyde to be the pilot.

2.5 Scottish Government Officials have been advised by Officers that it would not proceed with the pilot until it had received approval from the relevant Committee. The Scottish Government however are keen to progress the pilot as soon as possible and this is the reason for the report to the August Policy & Resources Committee.

2.6 Officers recognise the implications of bringing in Water Direct at the same time as the other Welfare Reforms and that it has the potential to add further burdens to certain households who have already been impacted by the Welfare Reforms. The Council would however continue to provide support and advice to affected households.

2.7 It is anticipated that the implementation of Water Direct will be of assistance in the Council in recovering arrears in respect of Water and Sewerage debt. At present due to the formula imposed by the Government the Council has to carry 75% of the Water & Sewerage debt and there are no signs that the Scottish Government will change this approach. As such it is in the Council's interest to try and recover as much of the outstanding Water and Sewerage debt as possible.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy & Resources Committee consider the content of this report and agree to Inverclyde Council participating in the pilot of the implementation of Water Direct.

Alan Puckrin
Chief Financial Officer

Inverclyde Council – Finance Services
Revenues and Customer Services

Appendix 1

Water Direct Scheme Guidance Notes

Date produced/reviewed:	**June 2013**
Prepared by:	**Liz Brown**
Approved by:	

Inverclyde Council – Finance Services
Revenues and Customer Services

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1.0 Introduction

This document details the policy of Inverclyde Council with regard to the Water Direct Scheme and the procedures that should be followed in applying for deductions.

2.0 Background

2.1 DWP customers in receipt of certain benefits or credits may have deductions taken from their benefit and paid to a creditor under what is known as the Third Party Deduction Scheme. Third Party Deductions will only be made when it is considered to be in the interest of the customer or the customer's family. The actual payment of monies owed to the Creditor and paid on behalf of the DWP customer is known as a **Third Party Deduction**.

2.2 The Third Party Deduction scheme is operated in accordance with the Social Security (Claims & Payment) Regulations 1987, Regulation 35(1) and Schedule 9.

The areas in which arrears can be managed by use of the scheme include:

- Housing costs excluding mortgage interest (for customer's current address)
- Rent arrears and service charges (for customer's current address) which includes arrears of: miscellaneous accommodation costs, hostel service charges, gas, electricity and water
- Water and sewerage charges
- Fuel costs
- Council Tax (CT) arrears
- Unpaid fines or compensation orders
- Child Maintenance Enforcement Commission (certain elements)
- Housing Benefit and Council Tax Benefit recoveries

2.3 The Council Tax (Deductions from Income Support) Regulations 1993 states that where a levying authority has obtained a summary warrant or a decree against a debtor in respect of arrears of sums payable under paragraph 1(1) of Schedule 8 to the Local Government Act and the debtor is entitled to income support, the levying authority may, without prejudice to its right to pursue any other means of recovering such arrears, apply for third party deductions from any amounts payable to the debtor by way of income support in order to secure the payment of any outstanding sum which is or forms part of the amount in respect of which the summary warrant or decree was granted.

2.4 Schedule 9 of the Social Security (Claims & Payments) Regulations 1987 allows deductions from benefit in respect of water charges in England and Wales. From 1st April 2012 this schedule was amended by The Social Security (Miscellaneous Amendments) Regulations 2012 to allow third party deductions in respect of water debt in Scotland.

3.0 Third Party Deductions

3.1 What are 'third party deductions"?

Benefit customers should normally meet their household expenses from their income, however in some cases, the Department for Work and Pensions (DWP) can deduct money directly from a customer's benefit to clear debts. These are called 'third party deductions'.

Third party deductions are only used if there is no other way to clear the debts without putting the welfare of the customer or their family at risk.

3.2 Why are third party deductions used?

The main use of third party deductions is as a last-resort protection for vulnerable customers in debt. By helping people with debt management, it helps them become more responsible with their finances.

Creditors must always first take reasonable action to help their customer with arrears.

3.3 How the scheme works

Under the scheme, DWP deducts a set amount from the customer's benefit and pays it direct to the creditor until the debt is cleared. Deductions are usually to clear arrears of housing, fuel, water and council tax.

The amount DWP can deduct is regulated. At April 2013, the rate is £3.60 per item. If there's more than one deduction, the maximum amount DWP can deduct is £10.80 (three deductions).

Once a debt is paid off, a third party deduction will usually end. In some cases where there are continuing concerns over an inidividuals ability to manage debt a deduction may continue to cover ongoing costs. This however is the exception. For ongoing fuel or water costs, DWP can change the amount deducted based on the current amount used by the customer and billed by the supplier.

3.4 Types of costs that the scheme covers

The types of costs covered by the scheme are rated in order or importance. This is about the amount of risk to the customer or their family if the costs aren't met any other way. The scheme covers:

- housing costs, including miscellaneous accommodation costs

- hostel charges
- rent arrears (including service charges for heating or lighting)
- fuel costs,
- water charges (water then sewerage if two debts)
- council tax arrears
- fines
- Child Support maintenance (under the old scheme).

3.5 Preventing further debt

If a customer has a third party deduction to clear a debt, and must still pay ongoing fuel or water costs, DWP can deduct a further amount to stop more debt building up.

3.6 How DWP decides about third party deductions

- To decide whether or not third party deductions are appropriate, DWP will consider:
- Is the customer getting one of the specified benefits? (see below)
- Is there a threat of court action, eviction or disconnection?
- Are there outstanding arrears?
- Is the customer or their partner liable for the debt?
- Is it in the interests of the family?
- Will the customer be left with sufficient benefit?
- Does the debt take priority over other debts?
- Are three third party deductions already being made? If so, they will check the priority list (see above). If the new debt ranks higher than the three already being deducted, the lowest ranked deduction will stop.

3.7 The Policy Intent of Third Party Deductions:

- The primary function is one of a last-resort safety-net for the most vulnerable
- benefit customers who have failed to budget for essential household bills

- The secondary role to enforce a social and financial obligation

- It is limited in the main to the income-related benefits designed to cover day to
- day living costs

3.8 Benefits in Scope for Third Party Deductions:

Deductions may be taken from:

- Jobseeker's Allowance – including Training Allowances
- Employment and Support Allowance - replacing Incapacity Benefit
- Income Support
- Pension Credit
- When it is introduced – Universal Credit

4.0 Council Tax Deductions

4.1 The Council Tax (Deductions from Income Support) Regulations 1993 allow for arrears of council tax to be deducted from benefits once a summary warrant has been obtained, as a consequence of the summary warrant process a 10% statutory addition is imposed on the outstanding debt increasing the debt owed by the customer.
Applications for third party deductions from benefit are made by the creditor (Council) applying direct to the DWP, consent is not required from the debtor.
Provided the debtor is in receipt of qualifying benefits the DWP will commence deductions.

4.2 Inverclyde Council has worked closely with the DWP recently to introduce a quicker, less labour intensive electronic method of applying for deductions, with the result that there are currently 2,378 deductions in place with the DWP, it should be noted that not all customers with deductions in place have current year arrears as some customers maintain their current payments..
Deductions will remain in force until either the debt is paid in full or the debtor ceases.to receive a qualifying benefit.
The deduction rate for 2013/14 is £3.60 per week.

5.0 Water Direct

5.1 With the amendment to Schedule 9 of the Social Security (Claims & Payments) Regulations 1987 an application for third party deductions in respect of water debt in Scotland can now be made provided the following criteria is satisfied:

- there is a debt for mains water and
- there is the threat of Court action and
- it is in the interests of the customer that third party deductions be made.

5.2 Once Water Direct deductions are in place these can continue for the following year's water charge however the Council will only continue the deductions if the customer has prior year arrears. This should enable the customer to regain financial responsibility for their ongoing charges.

5.3 The amount deducted under the water direct scheme is an amount equal to the weekly cost necessary to meet the ongoing water charges that have been set by Scottish Water ensuring that the customer's level of debt is not increasing.

5.4 Current year arrears accrued up to the date water direct deductions commence would be dealt with as third party deductions under The Council Tax (Deductions from Income Support) Regulations 1993 at the rate of £3.60 per week. This would be in addition to any deductions for prior year arrears.

5.5 The combination of a water direct deduction and an additional third party deduction for any current year arrears will ensure that the customer's current year water charge is cleared by the end of the financial year, breaking the cycle of debt.

6.0 Impact on Customers

6.1 Although council tax benefit and, from 1st April 2013, council tax reduction can reduce the amount of council tax a customer is required to pay there is no benefit/reduction awarded on the water and sewerage charges that the Council bills and collects on behalf of Scottish Water.

6.2 Benefit customers should meet their household expenses from their income, however at 1st April 2013 there were 1,869 customers in receipt of income support and other relevant benefits who owed a total of £3.2m in council tax arrears.

6.3 The 2013/2014 annual Band A water and sewerage charge for a family is £269.64 or £5.19 per week and for a single resident is £202.23 which is equivalent to £3.89 per week. This means that even at the lowest Council Tax banding the current deduction of £3.60/ week referred to in paragraph 4.2 is not sufficient to prevent a year on year increase in arrears.

6.4 As with any debtor the Council have processes in place to offer help and advice to any customers who have difficulty in paying their council tax and Water & Sewerage debts. The Council will only apply for third party deductions after reasonable action has been taken to make customers aware of their debt and offered help to customers with arrears.

6.5 As the current third party deduction of £3.60 per week, cannot be applied for until a summary warrant has been obtained then this adds further costs to the debtor. Water Direct does not require a Summary Warrant to be obtained thus saving the debtor unnecessary costs.

6.6 The benefit of the Water Direct scheme is that a payment is made to pay the ongoing water charge at the actual weekly rate therefore no further debt is accruing. In addition to the ongoing charge being deducted there is also a deduction in respect of any arrears.

6.7 By breaking the cycle of debt and helping customers with debt management, it helps customers take control of their finances. This is vitally important with the imminent introduction of Universal Credit.

6.8 Appendix 1 and 2 shows examples of the effect on customers of the implementation of the Water Direct scheme.

Appendix 3 details a breakdown of the current council tax debt for customers on income support.

Appendix 4 details the historic DWP deductions

7.0 Financial Implications

7.1 There are no increased operational costs to the Council for operating the water direct scheme as this can be managed with existing resources.

7.2 Under current ABCD formula the Council is responsible for approximately 75% of Water & Sewerage debts and therefore reducing the amount of arrears in this area will have a positive financial impact on the Council.

Inverclyde Council – Finance Services
Revenues and Customer Services

APPENDIX 1

Scenario 1: 71 year old living by themselves in a Band A property on a state pension + high rate mobility

Weekly Income		
State pension		£132.97
Pension Credit Guarantee		£12.43
Mobility - High		£52.25
Total		£197.65

Council Tax Arrears Position

Debtor has historical arrears of		£1,763.02
Debtor has 2013/14 Water & Sewerage charge of		£202.23

Historical debt collected @ £3.60 per week by deduction		
No of weeks to clear historical debt : 489 Weeks		£1763.02/£3.60
489 weeks equates to 9 years 5 months		

Currently a Summary Warrant must be obtained before deductions can be made from a customers passported benefit

Deductions based on actual 2012/13

2012/13 Water & Sewerage charge		£196.78
10% Surcharge		£19.68
Total		£216.46

Inverclyde Council obtain 1st Warrant		17/05/2012
Request for deductions sent to DWP		23/05/2012
Request accepted by DWP and deductions commence		21/06/2012
No of weeks remaining in the financial year for deductions		40 weeks
40 weeks @ £3.60		£144.00
Arrears remaining at end of 2012/13 financial year		£72.46
These arrears would take a further 21 weeks to clear - clear by		22/08/2013

Meantime a Summary Warrant will have been obtained against 2013/14, incurring a surcharge of £20.22 on the water & sewerage balance of £202.23 - total due for 2013/14 now £222.45 - deduction process has to commence again after 22/08/2013 - customer continues to get further into debt.

Inverclyde Council – Finance Services
Revenues and Customer Services

<u>2013/14 assuming Water Direct was in place(no surcharge levied on customer)</u>

2013/14 Water & Sewerage charge		£202.23
Weekly Charge		£3.89
Inverclyde Council issue 1st Reminder		15/04/2013
Payment not made and application made to DWP for Water Direct deduction		06/05/2013
Allow 28 days for deduction to be put in place		03/06/2013

Water Direct Arrears 01/04/13 - 03/06/13		9 weeks
9 weeks @ £3.60		£35.00
Ongoing Water & Sewerage charge 04/06/13 - 31/03/14 (43 weeks @ £3.89)		£167.23

<u>Effect on Customers Income</u>		
Historical arrears deduction ongoing for 9 years 5 months		£3.60
Water Direct Arrears deduction £35.00/£3.60 = 10 weeks - clear by 12/08/13		£3.60
Water Direct ongoing weekly deduction £3.89		£3.89
	Weekly Deduction	Total Recovered
Deductions from Benefit between 01/04/13 - 03/06/13	£3.60	£32.40
Deductions from Benefit between 04/06/13 - 12/08/13	£11.09	£110.80
Deductions from Benefit between 13/08/13 - 31/03/2014	£7.49	£247.17

a) Total income recovered during 2013/14 is £390.47 compared to £187.20 under the current scheme.
b) Under the Water Direct example the debtors arrears will have <u>reduced</u> by £187.20 by the end of 2013/14. Under the current practice the arrears will have grown by £35.25.

Inverclyde Council – Finance Services
Revenues and Customer Services

APPENDIX 2

Scenario 2: 31 year old living by themselves in a Band A property in receipt of ESA, currently with an appeal lodged to go back into receipt of Income Support. Customer resides in a 1 bedroom flat rented from a local housing association and has no rent to pay.

Weekly Income		
ESA		£71.70
Total		£71.70

Council Tax Arrears Position

Debtor has historical arrears of		£2,099.41
Debtor has 2013/14 Water & Sewerage charge of		£202.23

Historical debt collected @ £3.60 per week by deduction		
No of weeks to clear historical : 583 Weeks		£2099.41/£3.60
489 weeks equates to 11 years 3 months		

Currently a Summary Warrant must be obtained before deductions can be made from a customer's passported benefit

Deductions based on actual 2012/13

2012/13 Water & Sewerage charge		£196.78
10% Surcharge		£19.68
Total		£216.46

Inverclyde Council obtain 1st Warrant		17/05/2012
Request for deductions sent to DWP		23/05/2012
Request accepted by DWP and deductions commence		21/06/2012
No of weeks remaining in the financial year for deductions		40 weeks
40 weeks @ £3.60		£144.00
Arrears remaining at end of 2012/13 financial year		£72.46
These arrears would take a further 21 weeks to clear - clear by		22/08/2013

Meantime a Summary Warrant will have been obtained against 2013/14, incurring a surcharge of £20.22 on their water & sewerage balance of £202.23 - total due for 13/14 now £222.45 - deduction process has to commence again after 22/08/2013- customer continues to get further into debt.

Inverclyde Council – Finance Services
Revenues and Customer Services

<u>2013/14 assuming Water Direct was in place(no surcharge levied on customer)</u>

2013/14 Water & Sewerage charge		£202.23
Weekly Charge		£3.89

Inverclyde Council issue 1st Reminder		15/04/2013
Payment not made and application made to DWP for Water Direct deduction		06/05/2013
Allow same no of days as 2012/13 for deduction to be put in place (28 days)		03/06/2013

Water Direct Arrears 01/04/13 - 03/06/13		9 weeks
9 weeks @ £3.60		£35.00
Ongoing Water & Sewerage charge 04/06/13 - 31/03/14 (43 weeks @ £3.89)		£167.23

<u>Effect on Customers Income</u>		
Historical arrears deduction ongoing for 9 years 5 months		£3.60
Water Direct Arrears deduction £35.00/£3.60 = 10 weeks - clear by 12/08/13		£3.60
Water Direct ongoing weekly deduction £3.889		£3.89
	Weekly Deductions	Total Recovery
Deductions from Benefit between 01/04/13 - 03/06/13	£3.60	£32.40
Deductions from Benefit between 04/06/13 - 12/08/13	£11.09	£110.90
Deductions from Benefit between 13/08/13 - 31/03/2014	£7.49	£247.17

a) Total income recovered during 2013/14 is £390.47 compared to £187.20 under the current scheme.
b) Under the Water Direct example the debtors arrears will have <u>reduced</u> by £187.20 by the end of 2013/14. Under the current practice the arrears will have grown by £35.25.

Inverclyde Council – Finance Services
Revenues and Customer Services

APPENDIX 3

Figures based on 2013/14 cases of Customers in receipt of passported Benefits and eligible for Water Direct Deductions @ 30/06/13

		Value of Prior year debt	Value of In Year debt
Number of cases that have historical arrears and qualify for Water Direct	1869	£3,245,413.29	£423,873.04

Breakdown by Band		Value of Prior year debt	Value of In Year debt
Band A	1412	£2,336,588.68	£301,763.18
Band B	319	£576,087.18	£80,472.25
Band C	111	£256,675.06	£32,156.22
Band D	19	£48,884.63	£6,167.43
Band E	7	£24,350.15	£2,831.98
Band F	1	£2,827.59	£481.98
Band G	0	£0.00	£0.00
Band H	0	£0.00	£0.00
	1,869	£3,245,413.29	£423,873.04

Inverclyde Council – Finance Services
Revenues and Customer Services

APPENDIX 4

History of DWP Deductions

Month	2011	Value	2012	Value	2013	Value
April	3033	£26,395.61	2177	£28,459.23	2316	£28,985.36
May	1929	£26,654.62	3164	£28,442.91	2288	£29,805.11
June	1775	£23,164.06	1854	£24,347.72	2378	£30,145.62
July	1663	£19,872.45	2160	£27,571.78	0	£0.00
August	1551	£20,280.58	2023	£26,265.54	0	£0.00
September	1484	£19,103.20	2081	£23,380.03	0	£0.00
October	2026	£24,057.48	2198	£27,597.23	0	£0.00
November	2256	£27,565.58	3991	£52,833.23	0	£0.00
December	2144	£26,341.32	1941	£23,919.80	0	£0.00
January	4018	£49,844.29	1995	£26,994.11	0	£0.00
February	2270	£25,984.63	1993	£24,714.83	0	£0.00
March	2330	£27,721.70	**?**	£26,519.97	0	£0.00
		£316,985.52		£341,046.38		£88,936.09

Inverclyde council

AGENDA ITEM NO. 11

Report To: Policy & Resources Committee	**Date: 13 August 2013**
Report By: Corporate Director Environment, Regeneration & Resources	**Report No: ICT- 13-06**
Contact Officer: Robert Stoakes	**Contact No: 01475 712765**
Subject: ICT Strategy 2013-16	

1.0 PURPOSE

1.1 The purpose of this report is to seek approval for the ICT Strategy covering the period 2013 to 2016.

2.0 SUMMARY

2.1 The attached document in Appendix 1 details the ICT Strategy for 2013-16. This has been presented to CMT. It takes into account the operational and strategic requirements of the Council, budgetary constraints and the Modernisation Programme and also acknowledges links with the Council's Customer Services and Communications Strategies, as well as with the new National ICT Strategy and its main themes of delivering services digitally, enabling reform and reducing costs.

2.2 Shared service discussions around ICT services, between Inverclyde, Renfrewshire and East Renfrewshire Councils will develop during this period and therefore, members should recognise that elements of the strategy may change.

2.3 Currently, no additional funding over and above the ICT budget is required. Where any new work is identified, individual business cases will be presented outlining the full benefits and costs of the project for approval.

3.0 RECOMMENDATION

3.1 It is recommended that Members approve the strategy and note the possibility that shared services developments may have an impact on agreed work.

Aubrey Fawcett
Corporate Director
Environment, Regeneration & Resources

4.0 BACKGROUND

4.1 The attached document details the ICT Strategy for 2013-16. This takes into account the operational and strategic requirements of the Council, budgetary constraints and the Modernisation Programme.

4.2 The strategy acknowledges links with the Council's Customer Services and Communications Strategies, as well as with the new National ICT Strategy and its main themes of delivering services digitally, enabling reform and reducing costs

4.3 Shared service discussions around ICT services, between Inverclyde, Renfrewshire and East Renfrewshire Councils will develop during this period and therefore, the Council should recognise that elements of the strategy may change.

4.4 The developing shared service work will increasingly influence the three ICT services and this is the main reason why the strategy covers a relatively short period of time. By mid-2015 the shared service project will be in a position to make longer term recommendations and a joint ICT Strategy is likely to be developed if the project is successful.

5.0 FINANCIAL IMPLICATIONS

5.1 Currently, it is not anticipated that any additional funding over and above the agreed ICT budget will be required. However, shared services developments are in their early stages and it is unclear as to whether any additional work will be required. If additional work is identified, individual business cases will be presented outlining the full benefits and costs of the project for approval.

6.0 IMPLICATIONS

6.1 Human Resources : There are no HR issues

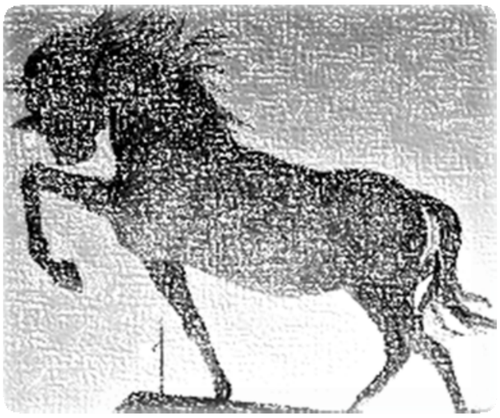
6.2 Legal : There are no legal issues

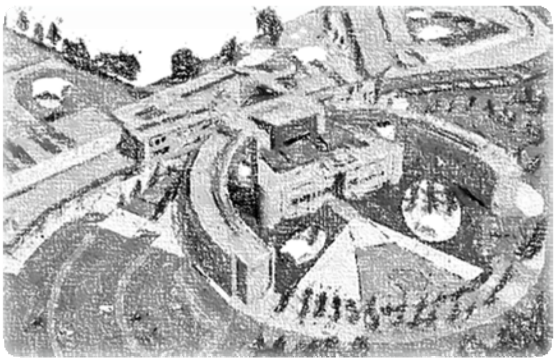
6.3 Equality: There are no equality issues

Inverclyde council

ICT Strategy

2013-2016





Contents

1. Introduction

This document outlines Inverclyde Council's ICT strategy for the period 2013-16. The strategy is designed to support the Council in:-

Meeting the strategic local outcomes of the Single Outcome Agreement

(In particular, SOA 6 and SOA 8)

Supporting the Council's Modernisation Programme

Supporting the Council's Information Governance Group

Developing and implementing its flexible working programmes and

Reducing its operating costs

This strategy document:-

States the underlying principles and values that the ICT Service works to;

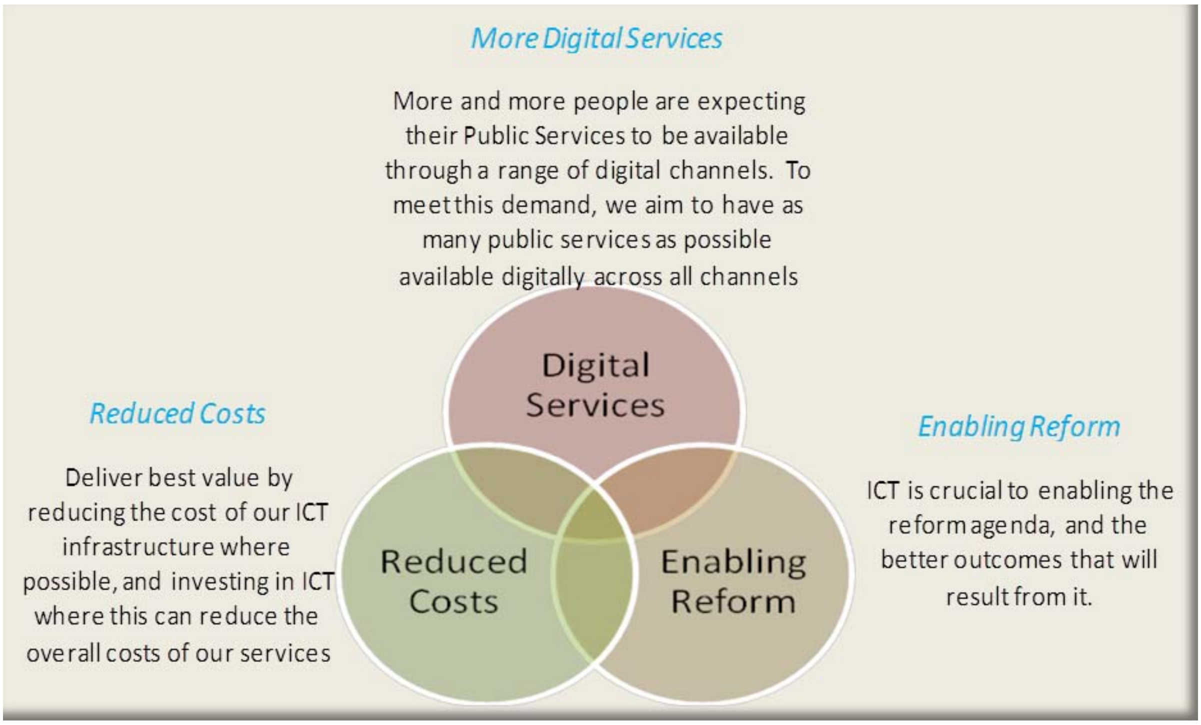
Defines the role of ICT within the Council;

Highlights internal and external factors driving the service's activities;

Identifies the key areas to be addressed during the period and

Identifies links and dependencies with other developments and services.

This strategy also acknowledges the main themes identified in The ICT Strategy for Local Government in Scotland, namely:-



Appendix 1 contains an excerpt of the main themes of the strategy.

One specific consideration is the potential development of a Shared ICT Service between Inverclyde, East Renfrewshire and Renfrewshire. As far as is practical, this strategy takes this into account.

However, at this time, the outcome and implications of this initiative are unclear and therefore the strategy covers a relatively short period of time and some flexibility is required in relation to the timing and prioritisation of work outlined in this document.

2. Underlying Principles

A range of operating principles and values underpin the operation of the ICT Service.

2.1 Delivering Value for Money Services

ICT services must be delivered cost effectively and efficiently. Operational support and service delivery costs, including running costs of equipment, must be minimised and new ICT-related developments and projects required by the organisation must deliver quantifiable efficiencies and benefits.

2.1.1 Building on Existing Investments in ICT Infrastructure

A fundamental principle is that, wherever possible, ICT will continue to build on and exploit previous investments. The Council has a good track record in this respect as the following examples show:-

IP Telephony. The roll out of IPT in 2008 significantly reduced annual expenditure on telephony and subsequently formed the platform for further major developments across the organisation:-

- The Customer Service Centre – The telephony solution and associated intelligent call routing are fundamental to the operation of CSC and will continue to help in the introduction of new services into the CSC.
- Flexible Working Initiatives – The IPT software is a core component of home and flexible working and will underpin the rollout of these initiatives.
- The introduction of Unified Communications solutions - The IPT supplier's software integrates telephony, messaging, staff availability information and video communications to enhance communication between employees - key to all remote working plans.

Customer Service Centre CRM Solution. Lagan ECM and the client index is also a candidate for wider use across the authority. Any service requiring 'case management' functionality and associated workflow will be able to benefit from its use.

ICT Infrastructure Improvements. Inverclyde's Wide Area Network is one of the best in the country. It is reliable, scalable, and very cost effective and continues to be the basis for many of the technology developments undertaken by the Council.

2.1.2 'Buy' v 'Build'

Where it is not possible to widen the use of existing systems into new service areas, the Council will continue with its established practice of procuring business solutions via the appropriate framework/procurement route, rather than developing these in-house.

The internal development route will only be used for tactical solutions where no cost-effective existing solution is available.

Recent examples of internal developments for Council services have included:-

'Tuition Tracker' is an application developed for peripatetic music tutors that records pupils' progress in musical instrument tuition. As well as easing the administrative burden on the music teachers, the application has reduced the workload on Education HQ staff, who previously would have had to record this information.

'eSupply' is a locally developed application that streamlines the process of supply teacher administration in HR, by integrating voicemails and emails. Supply teachers, schools and HR staff all use the system to log availability, submit requests and fill the vacancies.

'KVArchive' manages the historical data once held on the Council's old IBM AS400 system. By extracting this into the new database, payroll staff retain access to the data but the old AS400 system can be decommissioned.

As the national ICT strategy of a central procurement route establishes itself, there may be increasing opportunities to 'buy into' agreed solution frameworks, co-ordinated by Scotland Excel.

2.1.3 Supplier Management

The Council procures business solutions from a diverse range of suppliers, some of whom supply several different systems to different Council services. In order to ensure these are managed effectively, the ICT Service liaises with the major suppliers' account managers on a regular basis.

2.1.4 Benefits Realisation

Council projects start with business cases that define all costs and benefits of the proposed work. Each project should be managed within an agreed project management framework and, in order to confirm that the project has delivered the expected benefits, the final stage should be a benefits realisation exercise that measures the final, real costs incurred and the delivered benefits. These can be compared with those detailed at the project outset and the experience and lessons learned subsequently fed into future work. A 'Lessons Learned' review should take place at the end of each project.

2.2 Continuous Improvement

The service is continuing to experience resource reductions in common with other Council services, along with increasing work demands and this is expected to continue for the foreseeable future. Service metrics show that the overall workload is continuing to increase steadily and in order to at least maintain the service levels/support capabilities currently delivered, the teams need to continually develop smarter ways of working.

Performance against SLA targets remains consistently above 90% for Incidents and Service Requests and the availability of systems and network services is normally 100%; confirmation of the quality of the infrastructure in the organisation.

The ICT teams are proud of this record of efficiency and service delivery and will continue to look for ways to improve service levels, responsiveness and flexibility.

2.3 Information Security

The Council is obliged to conform to a number of Government security controls. Therefore it is a given that compliance with these controls will form part of any technology initiatives and developments.

A number of new and emerging technologies, the benefits of which are well understood, will have a significant impact on Council services over the next few years. However, the introduction of these has to be considered against the requirements of the various compliance and security regulations that apply to Councils and other public sector organisations. (e.g. GSx/GCF/PSN Compliance)

'Generation Y' expectations regarding the use of social media and mobile technology, within and outwith work, and the rising expectations of the general public with respect to service availability and delivery channels, also put pressure on the Council to examine the ways in which services are delivered and which technologies can be exploited.

Social media, the ever-increasing pervasiveness of the Internet, hosted 'Cloud' solutions and mobile technologies are key areas that will drive radical changes to the ways in which the Council will deliver services.

The potential impact on privacy of some of these new technologies may be a developing issue, as new social media products emerge and there will need to be an ongoing dialogue with relevant Council services.

The Council is required to comply with all national level legislation, including Freedom of Information (Scotland) Act 2002 and Data Protection Act 1998 and has agreed policies relating to Acceptable Use of ICT Systems, Records Retention and Information Classification. A training programme for all employees in data protection and information security is underway across the organisation.

The ICT Service will continue to provide input to the Information Governance Group to ensure relevant Council policies are developed and implemented.

2.4 Sharing Resources

The new Local Government ICT Strategy will drive the move towards common ICT solutions across organisations, irrespective of any local shared services initiatives. The increasing availability of common systems will drive the rationalisation and sharing of other Council services, as processes and structures develop to become standardised and simplified.

The roll out of the Scottish Wide Area Network (SWAN) is an early example of a national initiative that will deliver much of the technology, services and infrastructure that will facilitate the sharing of systems in the public sector.

Sharing of resources – staff, skills, systems and infrastructure – will therefore be a major consideration for all future ICT developments.

2.5 Flexible Working

Whilst a number of specific projects are underway that are related to flexible working, it should be a given that ICT will provide facilities in general that support a range of flexible working practices sponsored by the Council. In particular, the 'given' is that staff should be able to access information securely from anywhere, at any time.

2.6 Compatibility with National Initiatives

It is clear that, whatever develops at a 'local' shared service level, a number of national initiatives will influence the Council's ICT strategy. In addition to SWAN, the growing availability of Cloud-based services, more centrally-controlled procurement and data centre rationalisation will all contribute.

2.7 Service Relationship Management

The ICT Service will continue to engage fully with Council services, to ensure that it understands the requirements of services and continues to deliver relevant and fit for purpose services.

ICT workload and performance is monitored and managed against defined targets and SLAs. Service engagement meeting agendas consist of service level management, business development, feedback and future development plans.

2.8 Funding/Charging Mechanisms

On-going development of future ICT revenue and capital budgets needs to reflect a sustainable funding model that can cope with growing and changing user demands.

3. The Role of ICT

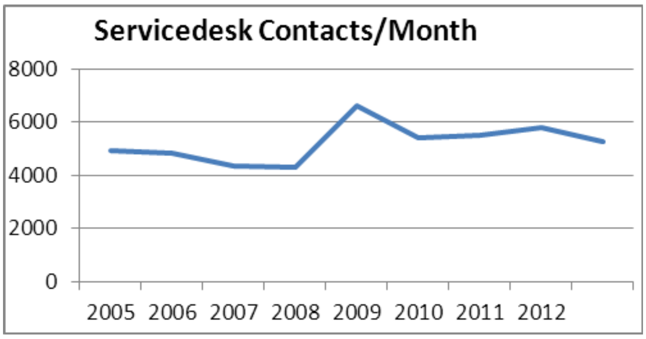
ICT underpins almost every service in the Council and, although it is seen as a cost to the organisation, ICT is a key enabler of business change, supporting the development of modern and efficient ways of working through automation, removal of duplication and efficient use of information.

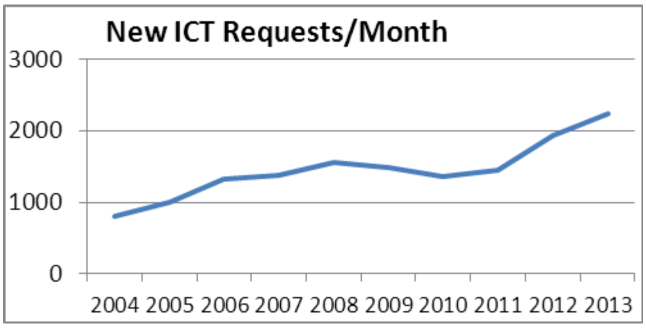
3.1 Current Position, Workload and Performance

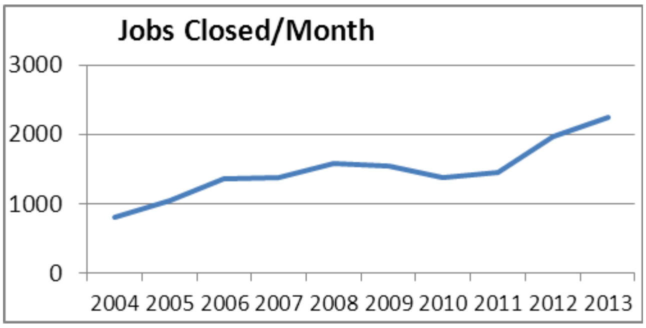
The core function of the ICT service is to maintain and support ICT infrastructure, systems and users to ensure Council services are delivered efficiently. As a reactive support function, this aspect of the service is expected to run as efficiently as possible. The continuing use of automated software tools, established best practice such as ITIL and service benchmarking will ensure the service continues to evolve and is as efficient as possible, whilst remaining fit for purpose.

A major factor in maintaining the capability to work efficiently is to ensure that all infrastructure components remain fit for purpose, as this reduces the reactive workload on the service. The organisation must recognise that continuing investment in this area is worthwhile.

- There are over 70,000 contacts with the ICT Servicedesk per year, resulting in the service dealing with over 17,000 new incidents and 5,000 service requests per annum.
- SLA performance normally exceeds 90% for incident and service request resolution.
- Network and major systems availability is normally 100%.







The trends illustrated in the first two graphs above indicate a steadily rising workload, which is not unexpected. The third graph shows a rising trend for staff productivity, especially notable as staff numbers are decreasing.

NB Although figures are presented for 'front line' ICT Servicedesk, it is the design, operation and support of the underlying server and network infrastructure that is the foundation of a productive, efficient service.

3.2 ICT and Business Support

Technology is also an enabler of change and reform, offering many opportunities for developing new ways of working, generating efficiencies and facilitating public access to services. All proposals need to have clear and realisable benefits in order to justify the costs.

ICT-managed projects are delivered in close cooperation with services, using a formal project methodology based on PRINCE2, to ensure that the work is properly controlled and that services are able to realise business objectives and benefits.

It is important that the Council ensures that all employees who use ICT systems are fully supported and trained and that service processes are developed in line with the systems to be as efficient as possible.

4. External and Internal Factors

This strategy is set in a context that includes national, as well as local, initiatives and priorities.

4.1 National Context

4.1.1 National ICT Strategy

In June 2011 'The McClelland Review of Public Sector ICT Infrastructure in the Public Sector in Scotland' was published. The report concluded that public sector use of ICT was not as well developed as the UK National Government nor the private sector and not as widespread in the delivery of services as it could be, there was insufficient sharing of expertise or facilities and that there should be greater use of existing best practices. The report also highlighted some key issues around the fragmented deployment, procurement and governance of ICT. In September 2011 the Scottish Government formally responded to John McClelland's report and agreed to set up governance arrangements to take forward this work.

The resulting National ICT Strategy - 'Scotland's Digital Future - Delivery of Public Services' has set out 4 high level strategic principles for a common approach to delivering digital services:

- Customer/Citizen Focus - adopt an approach of "digital first" in service design; that means that organisations will deliver on line everything that can be delivered on line
- Privacy and openness: using data appropriately - make effective use of all forms of data to deliver business outcomes, within a framework which maintains public confidence and meets statutory requirements
- A Skilled and Empowered Workforce - have a workforce that is motivated and skilled in using digital technologies and gains recognition for doing so;
- Collaboration and Value for Money - through common standards and interoperability collaborate locally, nationally and internationally, collaborate in planning its use and procurement of ICT so as to re-use and avoid unnecessary duplication and so reduce

purchase and running costs; have a public sector network which supports resilient high-volume and high-speed communication.

4.1.2 Local Government ICT Strategy

In response to McClelland and the National Strategy, a Local Government ICT Strategy has been developed in conjunction with SOCITM, SOLACE and the Improvement Service that has identified a number of "pragmatic actions" to be implemented over the next two years, focussing on Digital Services, Reduced Costs and Enabling Reform through ICT as detailed below.

- Digital Service – Implement more digital services. Present options on identifying customers' requirements and produce a single access portal for digital services.
- Reduced Cost – Develop national or cluster contracts. All Councils to amend contract terms for future procurements to allow sharing and hosting of applications. Build a shared infrastructure with the delivery of SWAN.
- ICT Enabled Reform – Develop shared platforms. Develop a framework for public sector reform initiatives. Share data to present a single view of the customer. Common platforms to allow employees to work "anywhere and at any time".
- A range of governance and organisational change initiatives are being proposed including a proposal for a COSLA leadership group, new shared services and procurement delivery models, a new approach to skills and staff development, and coordinated ICT Strategy development across all local authorities.

4.1.3 SWAN

The Scottish Wide Area Network (SWAN) is a Scottish Government led programme created to deliver a single public services network for the use of any and eventually all public service providers in Scotland. The first project of the SWAN Programme will procure an initial tranche of core network and connectivity services. Four Vanguard organisations have come together to aggregate their requirements and manage the process of procuring network services;

- NHS Scotland (to replace the current N3 network)
- Pathfinder North (a consortium of five Local Authorities in the north of Scotland)
- Pathfinder South (a consortium of two Local Authorities in the south of Scotland)
- Education Scotland (to replace the Schools Interconnect 2.0 network)

NHS Scotland, through NHS National Services Scotland, has agreed to become the lead agency for SWAN and will act as the contracting authority and to that end is leading a procurement process to appoint a supplier.

4.2 Council Context

4.2.1 Shared Service Developments

At its meeting on the 29th November 2012 the Council agreed to progress a Shared ICT Infrastructure/Services Project with Renfrewshire and East Renfrewshire Councils (North Lanarkshire Council were originally a partner in this initiative but have since withdrawn). A joint project lead from the private sector is to be appointed for a period of 2 years to develop shared arrangements for the delivery of aspects of ICT.

The Project Lead will have responsibility for identifying and implementing business opportunities to improve ICT services in the three participating Councils. These business opportunities will take forward the National ICT Strategy and will focus on sharing infrastructure, joint procurement and sharing specialist skills.

ICT Services is engaged in a wide range of scheduled activities, pilots and projects in support of Council priorities and releasing resources from these will require careful consideration by officers as the shared service work develops. The Council recognises that there may be some impact on currently agreed work plans, due to potential resourcing requirements of the project. If the Project Lead identifies a number of initiatives – 'easy wins' – then resources will be required to deliver these.

4.2.2 Council Priorities

Education Services

The Inverclyde Education Service consistently 'punches above its weight' in terms of educational attainment levels and the Council has an excellent track record of investment in school ICT infrastructure. Significant investment has been made in the PC and network infrastructure, with regular equipment refresh programmes providing modern, dependable devices.

ICT Services has prioritised ICT in Education consistently and has close working links at management and operational levels to ensure the service delivers value in schools.

Changing trends in ICT indicate that there will be a desire to migrate services to other innovative, types of service, including the use of personal devices such as Tablets and Smartphones, the use of national Cloud services provided by Glow and other commercial providers. ICT Services is exploring a range of initiatives to provide 'Bring Your Own Device' access in schools to allow staff and pupils to safely and securely access Internet services on school premises and has produced detailed costs to provide pupils with council owned tablet devices, should this be a route that the Council would wish to follow.

CHCP

ICT Services provides a range of core services to CHCP employees (including those employed by NHS Scotland who require access to the Council network). Further initiatives are being implemented to allow greater shared services and methods of integrated service delivery. ICT service has developed a good working relationship with NHS Scotland ICT staff and have developed a pragmatic and flexible approach to delivering services to NHS and IC staff in the most suitable and cost effective way possible.

Inverclyde Leisure Trust

ICT Services delivers ICT desktop and infrastructure support to the Leisure Trust under a formal Service Level Agreement. In addition to the core services, ICT works with the Trust and its suppliers to develop their use of ICT in support of their business. e.g. Implementing on line facilities booking, developing the Leisure Trust web site and providing mobile access to emails/calendars and network resources.

Member Services

Elected members are given the choice of fully networked desktop or laptop equipment, with IP Telephone handset. If a laptop is chosen, secure VPN access to the corporate network is included to allow remote working.

In addition to these, each member can opt for a PDA/smartphone with a standard monthly data plan for remote email and calendars.

Other Council Services

The Council has historically had an innovative and flexible approach to implementing new technologies and a wide range of collaboration and communication tools are available to staff.

The Council has instigated a significant office rationalisation plan, and as well as providing support for refurbishment and relocation projects, a number of "agile working" initiatives have recently been implemented that allows for staff to work in a range of flexible and remote ways.

- Home working – staff can replicate the office environment at home with a full range of ICT and telephony services. Delivered in accordance with relevant Security and Health and Safety policies, performance indicators have reported significant performance improvement, reduced absence levels and greater staff satisfaction from home workers.
- Flexible Working – a number of "Hot Desk" areas have been, or are planned, to allow staff to work from a wide range of offices within the council. A number of planned further initiatives in this area, such as telephone extension mobility, unified communication technologies, and mobile device charging stations will negate the need for staff to be based in a permanent location.
- Flexible Network Availability – there are a number of locations within the schools estate where it is now possible to access the corporate network. This has allowed a number of services to deliver services directly to clients within school premises. It is anticipated that this facility will be installed into a growing number of locations as demand grows for further flexibility.

4.2.3 Customer Service Developments

A key goal of both the National and Local Government ICT Initiatives is to develop a "Digital First" strategy allowing/encouraging citizens to access as many public sector services as possible on-line. ICT services will work closely with Customer Services and Corporate Communications to facilitate the required channel shift processes.

4.2.4 SOCITM Benchmarking of ICT Services

ICT Services reported to the CMT in September 2012 the results of the SOCITM benchmarking of ICT Services. The key findings were;

- "Overall result shows the ICT service to be performing above its level of resources/size".
- "It is also important to note that the results shown … reflect the major fact that expenditure at Inverclyde on ICT (and the ratio of one ICT staff to the number of workstations supported at the council) shows that Inverclyde is a low spending council on ICT. This is despite the fact that in population terms it is also one of the smaller councils in this group. Smaller councils tend to have diseconomies of scale which often means their expenditure on ICT is higher in comparative terms than other councils."
- "In all other areas (eleven plus resources) the council achieved at least the median of the group and in some sectors was in the top performing areas. The overall result shows the ICT service to be performing above its level of resources/size."

SOCITM Benchmark Financial Statistics (2009/10 expenditure)

	Scotland			
	Lower quartile	**Median**	**Upper quartile**	**Inverclyde**
% Council revenue budget spent on ICT	**1.82%**	**2.10%**	**2.69%**	**1.41%**
ICT spend per workstation	**£617**	**£949**	**£993**	**£522**
ICT spend per head of population	**£46**	**£48**	**£59**	**£38**
Ratio workstations to one ICT staff	**83**	**127**	**131**	**136**

Subsequent resource reductions and savings will have further improved the benchmarked figures.

Further benchmarking exercises may be undertaken as part of the Tri-Council shared service initiative.

4.2.5 SWAN

The Council has entered into an expression of interest with the SWAN project. It is anticipated, that following the successful conclusion of the SWAN Vanguard Project, the council will migrate some or all of its network services to SWAN, replacing its current multiple service agreements with Virgin Media Business, Vodafone Network services (formerly Cable and Wireless) and Education Scotland with a single SWAN network connection.

At the time of writing, SWAN plans are still developing and it is not possible to give definitive dates for implementation. However, it is likely that basic SWAN connectivity may be available from mid-2014, with SWAN services and catalogues following on from approximately 2015.

5. Key Areas 2013-16

This section itemises the major areas of work that the ICT Service will concentrate on during the period 2013-2016. Appendix 3 contains the outline plan for ICT Services for the period.

5.1 Developing ICT Staff Competencies and Service Resilience

ICT is a sector that changes quickly and staff skills need to be maintained continually, via an ongoing professional development programmes.

SFIA (Skills for the Information Age) is the Government backed ICT skills standard and it describes the typical roles in ICT and the skills needed to fulfil them. SFIA provides a solid foundation for organisations when organising structures, defining roles and setting standards of professionalism in ICT. SFIA will continue to be used as the basis for skills development within ICT, although continuing budget pressures require increasingly creative ways of maintaining ongoing staff training.

Service resilience is being improved by a programme of cross-skilling between individuals and teams within ICT and increasingly, informal networks across other Councils are being used to reinforce this. As the shared service proposals develop, these arrangements may develop more formally.

5.2 Budget Pressures

The current budget pressures will continue throughout the life of this strategy. The service has agreed its share of the Council's budget reductions whilst taking on an increased workload. Most of the reductions in resource have been agreed to take effect towards the end of the period covered by this strategy

OPERATIONAL SUPPORT

5.3 Operational Support and 'Keeping the Lights On'

The most basic, core function of the ICT Service is to maintain and support the ICT infrastructure, systems and users to ensure Council services are delivered efficiently.

The ICT Service Level Agreement has been in place for some time now and continues to be the performance measurement tool for the service. The service usually exceeds its SLA targets, but as resources are squeezed and workload increases this may become difficult to maintain. The continuing use of automated software tools, established best practice, such as ITIL, and service benchmarking, will ensure the service continues to evolve and is as efficient as possible whilst remaining fit for purpose.

5.4 Rolling Refresh Programmes

The service has a detailed ICT Asset Management Plan and using this as a basis will continue to refresh desktop equipment on the basis of a 5 year lifecycle, where this is deemed appropriate.

Server infrastructure refresh will be handled on a more flexible basis after the virtualisation programme is complete. Network equipment will also continue to be refreshed as equipment lifecycles require.

Work is currently underway to ascertain whether tablet devices – user-owned or Council-supplied - are appropriate for use, especially in schools and whether it is practical to use some of the existing refresh capital for this purpose.

5.5 Data Centre Server Virtualisation

A project is in progress to carry out remedial and development work in the existing Municipal Buildings Data Centre. The purpose of the work is to minimise power consumption and improve the security and resilience of the facility.

The initial remedial work includes

- Improving access and security
- Replacing old Uninterruptable Power Supplies to improve resilience and reduce power consumption
- Replacing air conditioning to reduce power consumption
- Replacing lighting to reduce energy costs
- Rationalising the cabinet layout to minimise space requirements and improve air flow

This project also incorporates the virtualisation of the Council's existing servers which will improve the utilisation of servers, reduce costs and reduce the area occupied by the ICT equipment by almost a half, thereby reducing overall power consumption.

Server virtualisation will also minimise the on-going capital requirement for hardware, improve business continuity capability and allow more convenient provisioning of server capacity for future applications deployments.

The initial remedial work will be complete in early 2013, with the remaining virtualisation work happening throughout 2013-14.

Once the server infrastructure virtualisation is complete, the service will examine the feasibility of extending virtualisation to the desktop estate.

5.6 A Common Management Reporting Solution

Over the years, Council services have purchased software licences for reporting and management information production. These products all attract annual maintenance and support charges.

There is an opportunity to rationalise the various reporting tools into a single solution and potentially reduce Council-wide costs – SQLServer Reporting Services. The Council owns licences for this product as part of its Microsoft Enterprise Agreement and in-house skills exist across a number of staff that would allow the rapid development of a core of management reports that could be built upon as time goes on.

5.7 Information Security and Governance

ICT will continue to work with the Council's Information Governance Group to ensure the Council maintains its compliance with all relevant legal requirements, as well as the requirements of GCF/PSN.

5.8 Tactical Development Capability

A very small in-house development capability is maintained in order to support major applications and databases, to pilot developments and to retain the capability to design and develop tactical solutions in support of Council service requirements.

5.9 Integrated Social Care and Health Services

ICT will continue to build upon established relationships and will work closely with CHCP and NHS GGC to facilitate shared access to systems and information.

In addition to having established a basic shared ICT infrastructure, the ICT Service is working in co-operation with CHCP staff to develop the wider use of the SWIFT system. As well as ongoing work to enhance the core SWIFT implementation, ICT is project managing the implementation of the SWIFT Finance modules.

This is a two year project to replace standalone spreadsheets and paper systems with a fully integrated system, linking the client's care record with the details and costs of service provided. This will provide CHCP with a robust finance module with improved quality and accuracy of information on expenditure on social care services and which will contribute to the creation of a modern and efficient service in a position to meeting future challenges. In addition to this, work is being planned to make use of the remote working capabilities of SWIFT.

5.10 Monitor the Potential of Open Source Solutions

Central Government wishes open source solutions to be given equal weight with commercial supplier solutions where appropriate. The service will continue to monitor and where appropriate, consider the implementation of open source solutions.

STRATEGIC SUPPORT

5.11 Council Modernisation

5.11.1 Flexible Working

ICT will continue to work with Council services to evaluate and implement a range of solutions that will enable and support flexible working initiatives required by the organisation.

This work will include the evaluation of portable technologies such as tablets, PDAs etc and will also examine the issues around the support of user-owned devices connecting to the Corporate Network, where appropriate.

5.11.2 EDRMS Implementation

The Council has procured a replacement document management solution from Civica and a project to roll it out to relevant Council services is underway. The first service to take on the new system will be Revenues and Benefits, which will migrate away from its existing EDRMS. This work includes redesigning service processes to make the most of the new system and back scanning existing paper records in agreed services.

The rollout of the new EDRMS will help reduce office accommodation costs, enhance information security, improve the Council's ability to comply with its Records Management Policy and support flexible working arrangements.

The new EDRMS will be rolled out, where appropriate, over the next 18-24 months, as agreed with services and CIG.

5.11.3 Improving Citizen Access to Council Services

In conjunction with Customer Services and Corporate Communications, there is much development work to be carried out to facilitate citizen access to Council services via Internet and mobile network channels. This work ranges from on-line payments through to self-service facilities on the Council web site.

These developments should take into account the SOCITM Better Connected ranking system to ensure the Council's web site is designed from a customer experience perspective. The ICT Strategy recognises the need to integrate with the Customer Services and Corporate Communications Strategies in this respect.

5.11.4 Office Accommodation Rationalisation

The Office Rationalisation Plan will reduce the Council's accommodation capacity and a number of ICT initiatives will be necessary to support this work. (e.g. Hot Desks, wireless infrastructure, follow me telephones, Unified Comms work.)

The ICT Service is closely involved in these projects and work is either planned or already underway in support of each of them.

5.12 ICT in Education – Supporting Learning

The use of ICT in schools is being rethought in fundamental ways; the introduction of Curriculum for Excellence with its requirement for more flexible and personalised approaches to teaching and learning, the all-pervasive nature of the Internet and hand held devices and the examination of the effectiveness of the 'traditional' ICT curriculum and its related infrastructure, as well as the development of the new Glow2 offering, all point to the need for a radical rethink of ICT provision in schools. BBC Micros were replaced by PCs and laptops. Now the Council must consider whether these machines are going the way of the BBC Micro and, if so, whether they should be replaced by mobile digital devices. We must also consider whether our current ICT infrastructure, policies and controls are fit for purpose for today's pupils who are growing up in a mobile digital environment, where they are used to having instant access to the Internet.

Curriculum for Excellence is starting to drive a number of ICT developments within schools that will have a knock on effect on the type of service schools will expect from ICT. e.g. Software development environments; more flexible device and network access policies; more flexible, less intrusive Internet content filtering controlled at a local level.

There is also a groundswell of opinion demanding more flexibility with ICT equipment provision, rather than the 'standard' approach taken currently. The current computer estate and ICT infrastructure was developed to support the 5-14 programme, where each educational establishment followed the same curriculum, normally using identical resources. Under Curriculum for Excellence, teachers have the freedom to use whatever resources they choose to help deliver the curriculum, presenting them in a way that they find most appropriate for their class. Such flexibility does not sit easily in a system where the purchasing of ICT equipment and the purchasing and updating of software is controlled centrally and where network access policies are influenced by corporate security concerns, rather than by curriculum requirements.

The twin pressures of 'Bring Your Own Device' (BYOD) and/or use of tablets is gaining momentum rapidly, with a number of pilots being evaluated across the country as well as internationally. User expectations are changing rapidly, although opinion among educationalists is split as to what is the best approach to meet these expectations. A common finding in a number of the pilots is the importance of the personal ownership of the mobile devices: whether these are devices bought by parents or provided on long term loan by the Local Authority or school. A pupil's mobile device is highly personalised which promotes more creative thinking and individuality, core elements of Curriculum for Excellence.

Infrastructure requirements need to be flexible enough to cope with these changing demands – wireless, network, software, server and storage requirements are all evolving.

Funding requires examination, as there is an increasing demand for ICT equipment in schools. It may be possible to reduce funding for the standard 'PC Refresh' approach and re-channel the balance towards increased wireless infrastructure to support end user-owned mobile devices and/or Council-supplied tablets. There may even be a case for providing schools with their own budget to refresh ICT equipment in line with their own requirements, rather than this being determined by the centre.

There may also be a case for permitting establishments to use their own funds to purchase additional ICT equipment in controlled ways to help deliver the vision set for the school.

Whilst there must be a baseline for the provision of ICT equipment in each establishment, we must also ensure that we do not limit the development of those establishments that wish to make more use of ICT to help deliver the curriculum but only where the future on going funding of increases in ICT is clear.

Additional to this, there is also potential to re-evaluate and reduce the necessity to schools-based server and storage and to increasingly exploit Glow and other Cloud-based storage for staff and students.

5.13 Exploiting the Use of GIS/CAG Assets.

GIS (Geographical Information System) and the CAG (Corporate Address Gazetteer) are crucial components within the daily functioning of the Council. GIS allows users to view, understand, question, interpret and visualise data in many ways that assist decision making and problem solving. GIS and CAG can be used to simply show the location of a service point on a map or for more complex analysis and modelling.

In addition, the information contained in the Corporate Gazetteer that naturally links with the GIS is of an excellent standard and **Inverclyde Council is one of the only four Scottish Councils to attain the Gold Standard for its CAG**, recognised by a national level award.

The Council's GIS system is well-established and high quality, but is underutilised and there are opportunities to develop and widen its use throughout the organisation for the benefit of services and local citizens.

There is increasing demand and expectation for viewing spatial (location-based) data by council services, partners and the public. The population is also becoming more used to viewing information on a map. With the increased use of GPS navigation, Internet mapping sites and maps on mobile devices the delivery of Council held data through a mapping portal can no longer be seen as a luxury, but rather a necessity. The provision of information through the CAG and GIS underpins the quality service Inverclyde can deliver to its staff and the public. These components can also raise the profile of Inverclyde, which in turn can be used to attract businesses and tourists to the area.

5.14 Shared Services

The National ICT Strategy indicates a number of areas where sharing of resources would make sense and these will develop in due course.

At a more local level, the Tri-Council discussions will progress over the next 2 years. At the time of writing, the project is at an early stage of information gathering and analysis.

5.15 SWAN Adoption

The introduction of SWAN, commencing in 2014-15 will require a degree of planning and preparatory work, some of which has started. It is possible that some of this work will progress as a Tri-Council initiative, as shared service discussions progress.

As the Council's current WAN contract is due to end mid-2014, options for interim arrangements will be presented to the Council.

6. Links and Dependencies

Much of the ICT forward work plan for this period supports the need for reducing the accommodation footprint, reducing costs and improving service delivery/flexibility for both internal and external customers.

As is the case with the majority of ICT activities, most of this work needs to be undertaken in conjunction with other services, most notably Customer Services, Corporate Communications, Property Assets and Facilities Management and Education Services. Therefore, this strategy should be read in conjunction with the Customer Services and Corporate Communications Strategies. In addition, the ICT Strategy recognises the major themes contained in the National ICT and Local Government ICT Strategies.

This document will be reviewed on an annual basis.

7. Appendix 1 Local Government ICT Strategy Excerpt

For reference, the following table is the two year action plan from the Local Government ICT Strategy.

@ Digital Services £ Cost Reduction ● Reform Agenda

		Outcome
Directly linked to the National Strategy, 'Scotland's Digital Future – Delivery of Public Services'		
A	Build a shared infrastructure. Starting with the delivery of a Scottish Wide Area Network and a more cost effective approach to data centres building on existing initiatives.	**£**
B	Have one way to give our customers easy and secure access to their information and services across public sector agencies.	@
C	Develop the skills of our workforce to meet new demands and expectations including a 'top talent' skills development scheme working with partners in the Public Sector and Private sector.	@
D	Establish a benefits and measurement framework to measure the outcomes.	●
Within Local Government and its partners		
E	Develop national or cluster contracts with suppliers for key business applications. This should first focus on services that are regulated at a national level. The first example of this will be the system that supports the election processes. Others include trading standards and non-domestic rates.	**£**
F	All councils to amend their contract terms for future procurements to allow sharing and hosting of applications	**£**
G	Create common platforms around technologies that help our employee to work 'anywhere and at any time'. The first specific action will be to assess the options for a shared approach to mobile technology.	**£**
H	Present options to co-ordinate how we segment our customers and how we gather the data required to make decisions on how we deliver services.	@
I	Implement more digital services such as cashless catering for schools, making payments online and Council Tax services.	@
J	Assess the value of developing shared platforms to deliver self-directed support.	●
K	Capture detailed ICT requirements for public sector reform initiatives including: renewing public sector services, welfare reform, Police & Fire, health and social care integration, self-directed support and Community Planning Partnerships.	●

8. Appendix 2 Single Outcome Agreement

The Inverclyde Alliance Single Outcome Agreement (SOA) is an agreement between the partners of the Inverclyde Alliance and the Scottish Government, designed to improve the prospects of Inverclyde and to secure a better future for the people Inverclyde.

The vision agreed by the Alliance for the area is:

'Getting it Right for Every Child, Citizen and Community'.

This means that the Alliance will work in partnership to create a confident, inclusive Inverclyde with safe and sustainable, healthy, nurtured communities, and a thriving, prosperous economy, with active citizens who are resilient, respected and responsible and able to make a positive contribution to the area.

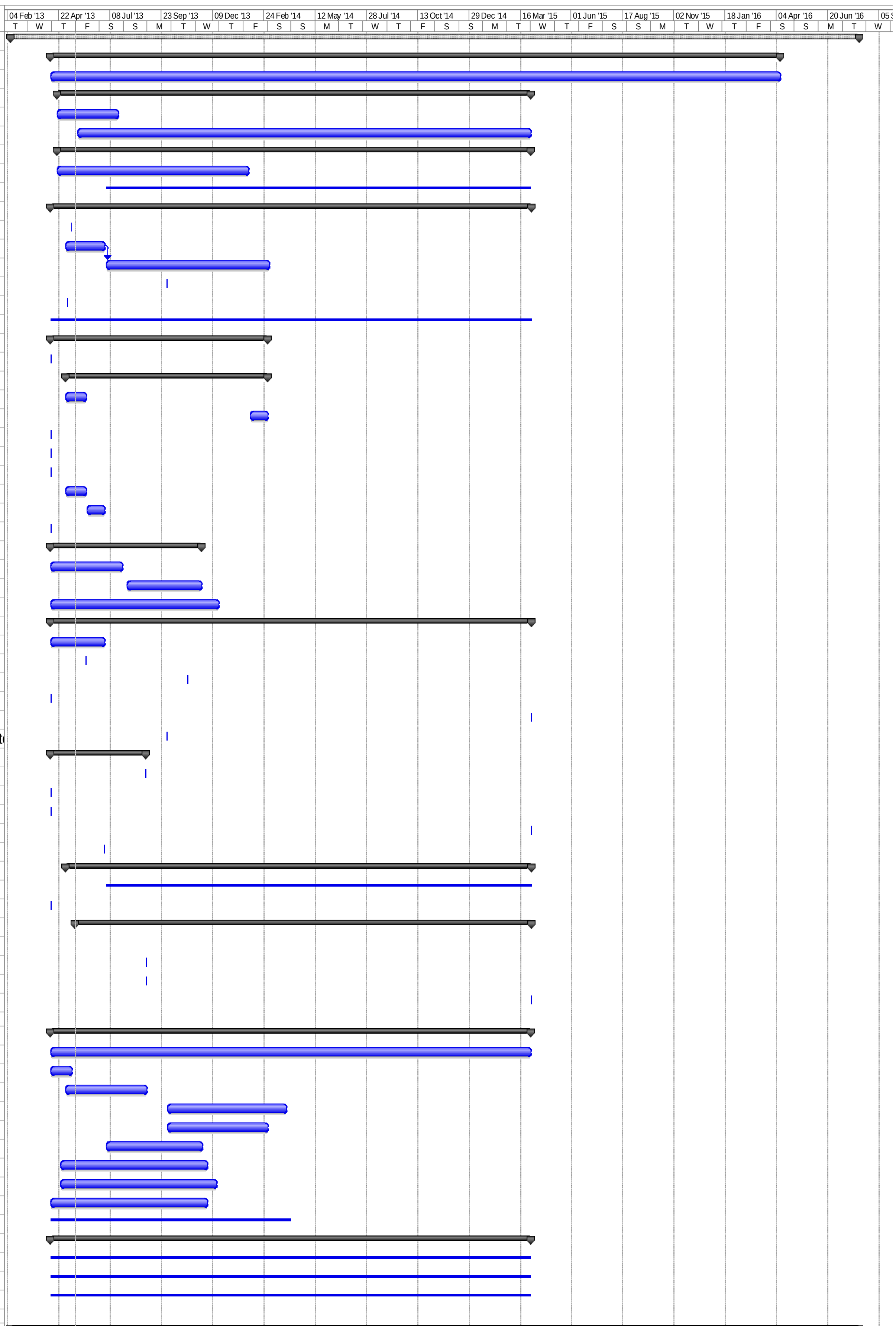
To deliver this vision, the Inverclyde Alliance, has agreed, with its communities, a number of strategic local outcomes:

1. Inverclyde's population is stable with a good balance of socio-economic groups.
2. Communities are stronger, responsible and more able to identify, articulate and take action on their needs and aspirations to bring about an improvement in the quality of community life.
3. The area's economic regeneration is secured, economic activity in Inverclyde is increased, and skills development enables both those in work and those furthest from the labour market to realise their full potential.
4. The health of local people is improved, combating health inequality and promoting healthy lifestyles.
5. A positive culture change will have taken place in Inverclyde in attitudes to alcohol, resulting in fewer associated health problems, social problems and reduced crime rates.
6. **A nurturing Inverclyde gives all our children and young people the best possible start in life.**
7. Inverclyde is a place where people want to live now whilst at the same time safeguarding the environment for future generations.
8. **Our public services are high quality, continually improving, efficient and responsive to local people's needs.**

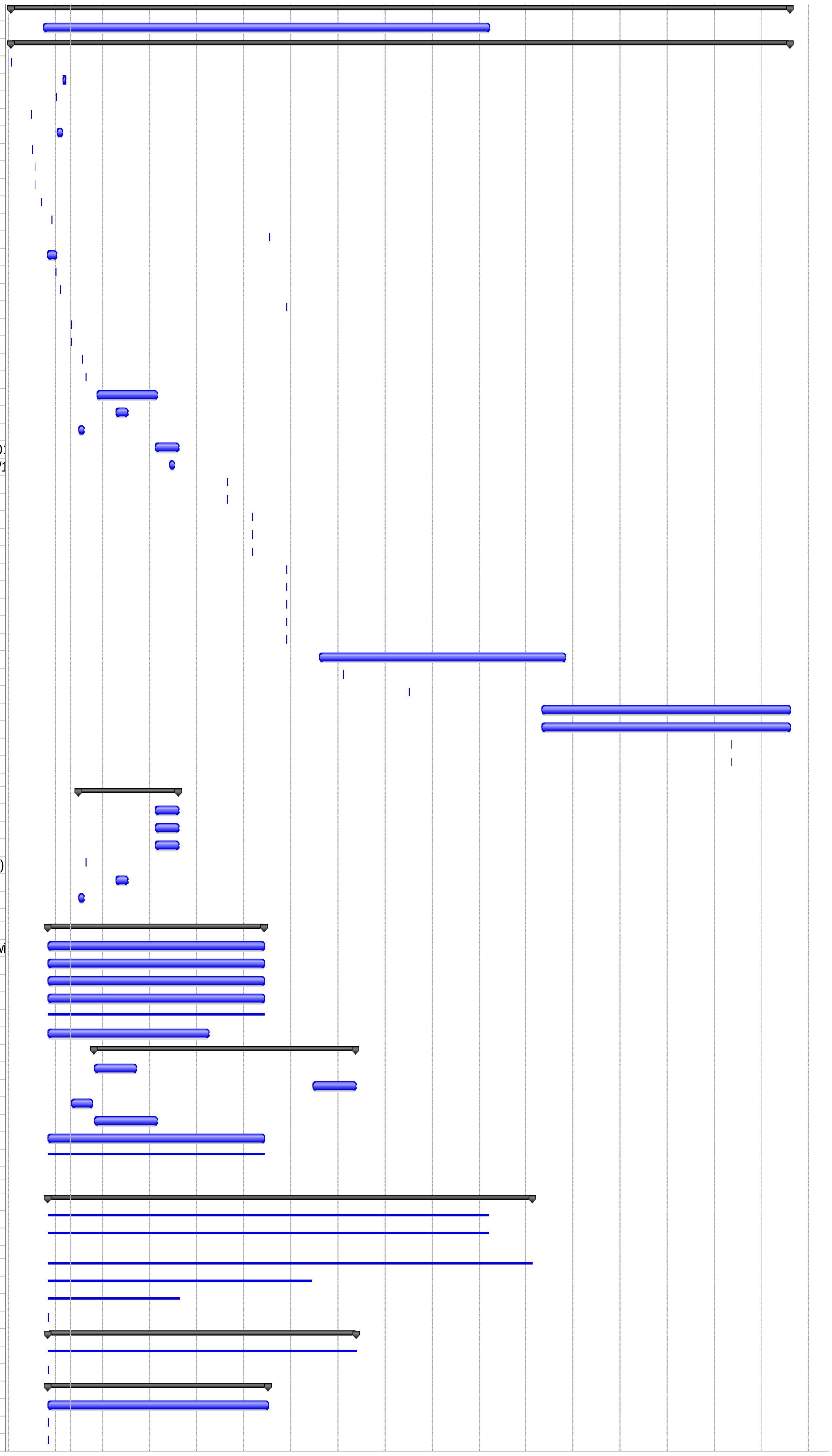
The full document is available by clicking here

9. Appendix 3 Outline ICT Work Plan 2013-16

ID	Task Name
1	**Provisional Work Plan 2013-15**
2	**Solutions and Applications**
3	Ongoing Maintenance and Support
4	**EDRMS Implementation/Opentext Phaseout**
5	Revs and Bens
6	Other Services
7	**Backscanning**
8	CHCP Services
9	Other Services
10	**Customer Service Related Work**
11	Cleanse/rebuild client index
12	Customer Service Strategy
13	Lagan Self Service
14	ePayment
15	Complaints/comments proces
16	Management info/operational reportin
17	**Application Upgrades**
18	Optitime upgrade (potential)
19	**iWorld**
20	May13
21	Feb14
22	Orbis
23	QPR
24	Chris/HR 21
25	Swift
26	Uniform
27	PAMIS
28	**GIS/CAG**
29	Standard Upgrades
30	Web Mapping
31	Swift
32	**SWIFT incl Financials**
33	Financial Module
34	Upgrade databases to versions 27.0.2 (May 2013?)
35	Upgrade databases to 28.0.0 (Sept/Oct 2013?)
36	Practitioner portal
37	Migration of reports to SSRS
38	Business Objects transfer to BOXI 3.1 – Complete transfer of reports t
39	**HR/Payroll**
40	Develop/implement KV Archive
41	Chris21 upgrades – usually 4/5 per year
42	Implementing HR21 V3
43	SQLRS
44	Multivue Data Issues
45	**Web Site Devs/Corp Comms**
50	Citizen Access/Channel Shift/Self Service
51	GIS Dev
52	**Tactical developments**
53	Member Services' Case Manager
54	Tuition Tracker
55	Supply Teachers/HR
56	SharePoint - Various
57	
58	**Infrastructure Changes**
59	Ongoing Support
60	Data Centre Remedials
61	Virtualisation Project
62	Office 2010
63	Windows 7
64	Glow 2
65	Exchange 2010 Update
66	Asset Management Related
67	Active Directory Work
68	BYOD
69	**Network Related**
70	SWAN Prep
71	Wireless Infrastructure
72	Public/Pupil access?
73	



ID	Task Name
74	**Servicedesk**
75	Manage Service Levels
76	**Site/Office moves**
77	SET team from Tower office to Willliam St
78	Libraries HQ to Belville St
79	Central Library Training to Cathcart St
80	CLD from Strone to Enterprise Centre
81	Estates Team from Cathcart House to Edu HQ
82	CLD from Strone to West Stewart St
83	CLD from Strone to Nicholson St
84	Redholm Children's Centre to new Kylemore
85	Fraud Team to Scarlow St Job Centre
86	CSC Meeting room - Data/Power installation
87	FM Services from Strone to Inglestone ????
88	Revs & Bens to Banking hall
89	Matt Thomson's Team/FMS to Finance Offices
90	Tech/Property Services to Strone
91	Tech/Property services to MB District Court offices
92	Planning & Buildings to MB 2nd floor
93	Planning & Buildings to Tower offices
94	Edu Psychologists to William St
95	Mearns Centre to Lomond View building
96	St Mary's re wiring
97	St Columba's to Old Gourock High
98	Argdowan PS to Sacred Heart
99	St Stephen's/PGHS/Lilyback/Glenburn to New shared Campus Tue 0
100	Ardgowan huts moving from Shared campus to Sacred Heart Fri 25/1
101	CHCP Scarlow ST to PG Hub
102	Swift training to PG Hub
103	CHCP Kirn House to Clyde House
104	CHCP Dal House to Clyde House
105	CHCP Criminal Justice to Clyde House
106	SET Team from William St to District Court Office
107	Edu HQ/ Edu Phychologists to Wallace Place
108	Library HQ to Wallace Place
109	Central Library Training to Wallace Place
110	Central Library to Wallace Place
111	St John's to Highlander's
112	CHCP Dal House to Business Store
113	BSU to Pottery St
114	Kilmacolm Refurbishment - no decant
115	St Patrick's to Sacred Heart
116	Safer Communities to William St
117	CLD to William Street
118	
119	**School moves -**
120	Shared Campus to New Shared campus
121	Lilybank to New Shared campus
122	Glenburn to New Shared campus
123	Mearns Centre to Old St Lawrence Buildings(Lomond View/Academy)
124	St Columba's to Old Gourock High
125	Ardgowan Primary to Sacred Heart Primary
126	
127	**Refresh Projects**
128	PC Refresh(Win 7) – audits, images , procurements, deployments , wi
129	Whiteboard Refresh
130	Whiteboard Relocations
131	Printer project – work with Corp Procurement
132	Infra-Lagan Feasibility
133	ePIPS - Annual SW Reinitialisation
134	**Preventative maintenance – Profiles/Projectors/Disk Defrag**
135	13-14
136	14-15
137	Sharepoint/Security Token SW
138	GLOW2 - Migrate all new e-mail addresses into Infra
139	Internal Audit - Capture all software and licences in the estate
140	Development of Lagan for SD Calls
141	
142	
143	**Other**
144	Ongoing Audit Actions
145	Information Governance/Security
146	
147	Shared Services
148	Flexible Working
149	Mobile Working
150	National ICT Strategy etc
151	**Education**
152	BYOD/Tablets/iPads in Schools
153	Network Infrastructure
154	**Staff Training/Skills Transfer**
155	Implement Team Training Plans
156	SFIA
157	Open Source Considerations?



Inverclyde council

AGENDA ITEM NO. 12

Report To:	**Policy and Resources Committee**	**Date:**	**13 August 2013**
Report By:	**Corporate Director Education Communities and OD**	**Report No:**	**HR/11/13/GB**
Contact Officer:	**George Barbour**	**Contact No:**	**01475 712385**
Subject:	**Fly a Flag for the Commonwealth - 10 March 2014**		

1.0 PURPOSE

1.1 The purpose of this report is to advise of the use of the powers delegated to the Chief Executive to agree to the Council's participation in the 'Fly a Flag for the Commonwealth' event to mark Commonwealth Day on 10 March 2014 and to hold this as an annual activity in the council calendar.

2.0 SUMMARY

2.1 The Convention of Scottish Local Authorities (COSLA) and the Commonwealth Secretariat recently wrote to Councils encouraging them to take part in the first 'Fly a Flag for the Commonwealth' on 10 March 2014. Appendix 1 has a copy of the letter.

2.2 The Commonwealth Secretariat is aiming to sign up every local authority in the United Kingdom to agree to fly a flag on the day from 10am until midnight.

2.3 By signing up before the beginning of the next round of committee cycles, the Council can arrange to include the event on its event listings and ensure Inverclyde is represented as one of the participating areas on the Commonwealth Secretariat website.

2.4 Authority was granted by Councillors McIlwee (for Councillor McCabe), Clocherty, McEleny and the Chief Executive.

3.0 RECOMMENDATION

3.1 It is recommended that the Committee notes the use of the powers delegated to the Chief Executive to agree the Council's participation in the Fly a Flag for the Commonwealth event on 10 March 2014 and in future years.

Corporate Director Education , Communities and OD

4.0 **BACKGROUND**

4.1 Local authorities across the United Kingdom, the Channel Islands and the Isle of Man will fly the flag for the Commonwealth from 10am to midnight on 10 March to celebrate Commonwealth Day. It is of particular interest locally with the Commonwealth Games are being hosted in Glasgow in 2014.

4.2 The initiative was first fully embraced in Norfolk by all eight councils in the area and has now been broadened out across the country. Flags will be taken to the top of the four highest peaks in the UK and raised in every corner of the country.

4.3 The initiative was first fully embraced in Norfolk by all eight councils in the area and has now been broadened out across the country. The event in 2014 is being limited to 413 Local Authorities including all 32 in Scotland as well as many city and county councils throughout the United Kingdom, Channel Islands and the Isle of Man. Flags will be taken to the top of the four highest peaks in the UK and raised in every corner of the country.

4.4 The organisers are asking for a degree of confidentiality as the 'Fly a Flag for the Commonwealth' team wish to make the 'first' public announcement concerning the project later this year.

4.5 There are currently nine locations in Scotland signed up to take part in the 'fly a flag for the commonwealth'. These are: Edinburgh; Glasgow; Aberdeen; Dundee; Stirling; Perth; Inverness; Shetland Isles and Unst (most northerly inhabited Island in the United Kingdom).

5.0 **IMPLICATIONS**

5.1 Finance: There are no financial implications. Commonwealth flags will be provided free of charge by the Commonwealth Secretariat on completion of an online registration form.

5.2 Human Resources: There are no HR implications

5.3 Legal: There are no legal implications.

5.4 Equalities: There are no equality issues.

6.0 CONSULTATION

6.1 N/A.

7.0 LIST OF BACKGROUND PAPERS

Appendix 1: Letter to the Council from Councillor David O'Neill of COSLA with 'Guide to taking part' attachment.

Appendix 1:

COSLA

14 May 2013

Sent to: Leader of Council
CC: Chief Executive

Dear Council Leader,

RE: 'FLY A FLAG FOR THE COMMONWEALTH – 10TH MARCH 2014'.

Fly a Flag for the Commonwealth will take place on 10 March 2014 and will become an annual occasion on Commonwealth Day, (the second Monday in March each year), growing in size and stature over the next few years.

I am writing to encourage your council to take part in this unique event. As you will see from the introduction on page 3 of the Guide and the list of acknowledgements on pages 6 to 9, many Local Authorities have already confirmed their involvement, including the 7 cities in Scotland, so I hope your Council will consider taking part as well. You will also see that the flag is going to be flown in some really unusual locations by others next year, providing the event with extra gravitas in its first year.

The 90" X 54" Commonwealth Flag will be provided **FREE** of charge to participating Councils. If you are interested you should complete the online Registration Form by going to www.flyaflagforthecommonwealth.co.uk by no later than 31st January 2014, to confirm your involvement and ensure you receive your Commonwealth Flag on the 10th February next year. You can also download the Guide and the official Logo from this site.

The organisers suggest that the Flag could be raised by the Leader or Civic Head, or you may wish to organise a competition in partnership with your local media, with the winner having the honour of raising the Flag at 10am on Monday 10th March 2014. A similar competition could be undertaken for the reading of the Commonwealth Affirmation in advance of raising the Flag that day.

The event in 2014 is being limited to 413 Local Authorities including all 32 in Scotland as well as many City and County Councils throughout the United Kingdom, Channel

Islands and the Isle of Man. The thousands of Town, Parish and Community Councils will be encouraged to take part in 2015, with others being invited to participate in 2016 and beyond. If the project is to be discussed with members of the Council, the organisers are asking for a degree of confidentiality as The Fly a Flag for the Commonwealth team wish to make the 'first' public announcement concerning the project later this year.

If you require any further information, please contact Bruno Peek at pageantmaster@mac.com or by calling on 07737 262 913.

Yours sincerely,

Cllr David O'Neill

1 Attachment: Guide To Taking Part.

Inverclyde council

AGENDA ITEM NO: 13

Report To:	**Policy and Resources Committee**	**Date:**	**13 August 2013**
Report By:	**Corporate Director ICHCP**	**Report No:**	**CHCP/40/2013**
Contact Officer:	**Andi Priestman**	**Contact No:**	**01475 712251**
Subject:	**DRAFT INFORMATION CLASSIFICATION POLICY**		

1.0 PURPOSE

1.1 The purpose of this report is to present the draft Information Classification Policy for Members' approval.

2.0 SUMMARY

2.1 The Council is committed to managing its information assets in a secure and appropriate manner and the Information Governance and Management Framework outlines the principles and practices for managing all information assets. Information classification is an important part of this framework.

2.2 This Policy presents a common approach to information classification and guidance for all services to use and assist them in establishing effective information classification practices.

2.3 The classification of information is also important for ensuring legal compliance in a number of areas including the Freedom of Information (Scotland) Act 2002 and the Data Protection Act 1998 and will support the Council in complying with the Public Records (Scotland) Act 2011.

2.4 There are several reasons why the classification of information is important including:

- Protection of personal and/or confidential information from unauthorised access or disclosure
- Supporting routine disclosure and active dissemination of relevant information to the public
- Facilitating information sharing with other services or external partners/agencies

2.5 The proposed categories of information classification have been developed to meet both organisational and operational needs based on the degree of risk of unauthorised disclosure and the impact or damage likely to occur. Due cognisance has been taken of the Government Protective Marking Scheme in developing these categories.

2.6 The policy sets out the categories which should be applied as follows:

- **Restricted** – information that is extremely sensitive and could cause substantial damage to the integrity, reputation or effective service delivery of the Council or significant distress to an individual.
- **Protect** – information that is sensitive to individuals or results in low levels of financial loss to individuals or third parties or disadvantages the Council in policy or commercial negotiations.
- **Unclassified** – Information that is created in the normal course of business that is unlikely to cause harm. Unclassified information includes information deemed public by legislation or through a policy of routine disclosure and active dissemination.

2.7 The Policy also sets out examples of practices in areas such as:

- Labelling information assets;
- Storing information;
- Transmitting information;
- Disposal of information no longer required;
- Allowing appropriate access and disclosure of information.

These practices are not intended to be prescriptive, rather they are identified within the policy as a guide and more detailed practices/protocols have been referred to later in the policy for employees to access.

2.8 Further work will be required to consider the most efficient and effective way to implement this policy and an action plan will be developed by the Working Group with a future report being submitted to CMT for approval.

3.0 RECOMMENDATIONS

3.1 It is recommended that Members:

a. Approve the Information Classification Policy
b. Agree that the Corporate Director, ICHCP, through the Information Governance and Management Working Group, brings a further report on the implementation of the Policy to Committee for approval.

Brian Moore
Corporate Director
ICHCP

4.0 BACKGROUND

4.1 The Council is committed to managing its information assets in a secure and appropriate manner and the Information Governance and Management Framework outlines the principles and practices for managing all information assets. Information classification is an important part of this framework.

4.2 Information classification needs to balance the protection of information assets and the disclosure of information, as required by legislation, regulation and good business practice including Freedom of Information (Scotland) Act and the Data Protection Act 1998 and will support the Council in complying with the Public Records (Scotland) Act 2011.

4.4 Successful implementation of information classification will allow employees to perform their jobs effectively whilst preserving public confidence in the Council in the conduct of its affairs.

4.5 All employees who handle information need to be trained on information classification to understand why it is important, what it means and how to label and handle the information.

4.6 An effective programme for information classification will require ongoing monitoring and follow the established procedures for documenting and reporting any breaches of information security.

4.7 Since April 2013, the Council has piloted a number of Data Protection Act Training Workshops which covered the implementation of a data classification scheme for handling information.

5.0 IMPLICATIONS

5.1 Legal: The Information Classification Policy will bring processes in line with regulatory and legislative requirements where applicable.
Finance: There are no financial implications arising from this report.
Personnel: The Policy itself does not have any personnel issues however, its implementation may have. As stated above, following further investigation, this will be covered in a subsequent report to Committee.
Equalities: Due cognisance of equalities issues has been taken in the preparation of this report.

6.0 CONSULTATIONS

6.1 Extensive consultations took place with relevant Officers who form part of the Information Governance and Management Working Group as well as discussions with key officers within all Services to ensure a robust document is developed for the Council.

INFORMATION

CLASSIFICATION POLICY

[Date of approval]

Contents

Purpose of this policy

Information has varying degrees of sensitivity and criticality. Security classification of information is therefore required to ensure that the information processed within Inverclyde Council receives the appropriate level of protection.

Every document generated has some value, and that value will depend on the views of the originator rather than the recipient, therefore the originator of a document must provide the classification and must agree or initiate any subsequent up or down grading.

Given this responsibility, many originators will opt for the safe choice and give all but the most innocuous documents the highest security classification. This practice leads to the debasement of the system and the value of classification is fast becoming, by over use, commonplace. To reduce this risk a clear policy of document classification has been set up and all levels of staff made fully aware of the risks to the organisations, and to their future, of not applying the classification system intelligently.

The purpose of this Classification Policy is to provide the method of how information is handled and protect against the risk of unauthorised disclosure.

Unauthorised disclosure is the disclosure of information either accidentally or deliberately to (i) an individual including a family member, journalist or another employee who does not require access to the information or (ii) a facility i.e. the Internet or social media such as twitter or Facebook, with their being no authority in place for the viewing or disclosure of the information. Information handled within a Classification Policy is shared/processed on a need to know basis and this Policy covers:

- The classification of information and appropriate marking or labelling to show the information is Confidential. This should ensure the recipients know how to employ appropriate protection methods.
- The protection of information in an appropriate, practical and cost effective way that is proportionate to the business risk of disclosure.
- This policy incorporates the requirements of Government Connects within the classification policy, to enable the Council to use the Government Secure Email Service.

Who does this policy / procedure / protocol apply to?

This policy applies to anyone with access to Inverclyde Council data, records or information, including but not limited to employees, Councillors and 3rd party contractors.

1. Classification System

Too many classes should be avoided and usually three levels are adequate. It is therefore proposed that the examples below are adopted and implemented throughout Inverclyde Council.

Please note that it is for the originator to determine the correct protective marking. If this has not been done at the time the information was captured it should be done at the time the information is extracted, processed or otherwise handled. A “harm test” should be carried out to consider the likely impact should the data be compromised or an unauthorised disclosure be made. When applying a protective marking please bear the following in mind:

- Applying too high a marking can inhibit access, lead to unnecessary expensive protective controls and impair the efficiency of the Council’s business; however

- Applying too low a protective marking may lead to damaging consequences for the Council and cause undue distress for the data subject(s) concerned.

Further guidance on classification including key questions is provided at Section 5.

Restricted

This applies to data the disclosure of which could:

- Cause substantial distress to individuals;
- Make it more difficult to maintain the operational effectiveness of the Council;
- Undermine the proper management of the Council;
- Cause financial loss or facilitate improper gain or advantage;
- Disadvantage the Council in policy or commercial negotiations with others;
- Breach proper undertakings to maintain the confidence of third party information; or
- Breach statutory restrictions on the disclosure of information.

For example, this marking should be applied to information that originates from the Lagan (CRM); the DWP CIS, Task FMS; Swift, SEEMIS and VISOR systems <u>provided one or more of the above criteria</u> apply to the information being considered. This marking should also be applied where it is mandated that the data can only be sent over a Government Secure Intranet connection.

Protect

This applies to information the disclosure of which could:

- Cause distress to individuals;
- Breach proper undertakings to maintain the confidence of third party information;
- Breach statutory restrictions on the disclosure of information;
- Cause financial loss or facilitate improper gain or advantage; or
- Disadvantage the Council in policy or commercial negotiations with others.

A "PROTECT" marking is commonly applied to information referred to as "Private and Confidential". It should therefore be applied to a document that is intended for the recipient only. It must be labelled, numbered and accounted for with copies being distributed only to those with a specific need to know. It should never be copied without the originator's permission and must be kept in secure conditions.

Both Restrict and Protect Documents must be controlled and destroyed in line with Inverclyde Council's Policy on the Retention and Disposal of Documents and Records. Computer files must also be protected by password controls.

Unclassified

These are documents generated and used daily for routine communication and subject to Inverclyde Council's Policy on the Retention and Disposal of Documents and Records, require no specific additional handling requirements.

2. Classification Labelling

Classification labelling applies to all forms of information both hard copy (paper) and electronic data including e-mail originated within Inverclyde Council. All magnetic media, which includes floppy disks, CD ROMs, hard drives, removable hard drives etc must be labelled commensurate with their contents.

Restricted/Protect

All hard copy data will be franked top and bottom e.g. "RESTRICTED" or "PROTECT". Data processed electronically will bear the classification markings in the document header and footer. Data with a restricted/protect classification must be transferred using the Government Connects system or encrypted to the current Council required level. If you are unsure always seek guidance from your Line Manager before sending Potentially Restricted or Protect data.

Unclassified

This is data, which does not require marking.

3. .<u>Degree of Risk</u>

Classified information is protectively marked so that people know how to apply the appropriate security protection. The classification is dependant upon the impact or damage likely to occur if the information was leaked or disclosed to the wrong people. The table below shows the degree of risk afforded to the unauthorised disclosure of the above classification levels:

Classification	Risk
Restricted	Is applied to certain information from the Lagan CRM, the DWP CIS, Task FMS; Swift, SEEMIS and VISOR systems and all due care should be taken to protect this information by officers.
Protect	Information whose unauthorised disclosure (even within Inverclyde Council) would cause serious damage to the interests of the Council. It would normally inflict harm by virtue of serious financial loss, severe loss of profitability or opportunity, grave embarrassment or loss of reputation.
Protect (Personal)	When handling one individuals personal data.
Protect (Private)	When handling more than one individuals personal data.
Protect (Commercial)	For use on document/information that is contract or information that may harm the commercial interests of the Council or a third party
Protect (Management)	Should be used for draft policies etc and other information that may harm the management of the Council or 3rd parties should it be released
Unclassified	These are documents generated and used daily for routine communication and require no special handling requirements.

4. Changes in Classification and Retention of Data

Classification of data can change in relation to the circumstances in which the data was originated. An example might be classified budgetary information or information relating to redundancy information which would be Protect during origination and formulation. Once this information has been released into the public domain it would become unclassified and require downgrading.

The classification of data therefore requires regular review. Departmental managers shall implement local procedures to review the classification of data within their respective areas of control.

Electronic and hardcopy data should not be retained longer than the periods recommended within Inverclyde Council's Policy for Retention and Disposal of Documents and Records.

5. Classification Guidelines

The classification of the data is the responsibility of the originator. The following guidelines are provided to assist the originator in deciding the appropriate classification level for the data. Classification of data is dependent upon:

- The degree of risk to Inverclyde Council should the data be disclosed or passed to unauthorised personnel.
- The content of the data.
- The intended audience of the data.

The originator should ask the following questions before assigning a classification:

- Do I need to protect this information?
- How much protection is required?
- Is this information Classified?
- Do I need to limit access to this information?
- What would happen if this data were disclosed to a third party?

Care must be taken not to over classify data. Work on the premise of who needs to know. For example when dealing with personal data ask the question if this data were about me who should see it and how should it be protected? Any originator who has problems with the classification of data should consult their Line manager.

6. Data Types and Classification Examples

The table below (the list is not exhaustive) provides guidelines and examples of different types of data with a suggested classification. It should be noted that even if information is marked as Protect it may still be releasable under the Freedom of Information (Scotland) Act 2002.

Department	Classification	Data Content
Any	**Protect**	• Open correspondence between Inverclyde Council and others where disclosure would cause serious damage to the interests of the Council. • Data relating to Confidential issue negotiations between firms tendering for contracts. • Data relating to prices and contracts.
ICT Information	**Protect**	All passwords, Combination settings and Security Keys.
Finance Data	**Unclassified**	Normal financial data of a non-controversial nature, which could be in the public domain.
	Protect	Financial data relating to budgets and or corporate projects under review by Corporate Management Team.
	Restrict	Sundry Debtors Database (excel password protect). Council Tax Payment Cards with name address and Council tax details (excel password protect). NDR database-non-domestic rates property details. Northgate – Council Tax information, properties and residents. DWP CIS – Housing and Council Tax Benefit client and benefit information. Lagan CRM – Customer interaction with Inverclyde Council.
Procurement	**Unclassified**	Advertisements of tender opportunities and advertised documents.
	Restrict	• Electronic and hard copy tender returns.
Education	**Restrict**	• SEEMIS Click and Go: o Pupil personal information; o Staff personal data; o Pupil progress/end of term reports; o SQA information. • SEEMIS ASN Records. • SEEMIS staff absence.

		• Email/hard copy Child Protection Data received from CHCP. • SEEMIS/Hard copy children's files (children's centres).
Legal documents	**Unclassified**	Standard legal correspondence not relating to client details.
	Protect	• Client information relating to litigation and/or proceedings. • Information obtained from Strathclyde Police in furtherance of litigation. • Names, addresses and dates of birth of Inverclyde Council employees.
OD, HR & Comms	**Unclassified**	Standard day-to-day business meetings and minutes.
	Protect	• Incident reporting Database/Hard copy incident reports: o Injured Party personal details. • Accident investigations electronic/hard copy: o Personal Information of injured party; o Information on accident cause and concerns; o Information regarding claims. • Workplace assessments – personal details
	Restrict	• Pupil/service user risk assessments hard copy/electronic – Personal details and information. • Chris 21 – Payroll records for employees. • SEEMIS – Staff personal details and work undertaken. • Databases: Records of employee disciplinaries/grievances/sickness; Employee case work details between HR staff, managers, employees, unions; Employee change of circumstances (eg bank details); Details of any draft confidential reports or proposals.
Child/client data	**Unclassified**	Advertising e.g. Clubs, services and voluntary groups.
	Protect	• Names, addresses and dates of birth of Inverclyde Council employees. • Children and Adults personal educational data.

Environment	**Unclassified**	Standard day to day administration
	Protect	• Lists of children on Provision Bus routes • Some Planning Applications
GSi (Government Secure Intranet Information)/GSX	**Restrict**	• Any information that is sent over GSi should be protected or restricted and this must be classified appropriately in the email subject. • Restricted data is any data where it is mandated that the Council must use a GSi account to transmit the data. • Examples include MAPPA notifications.
Social Care	**Unclassified**	Standard day to day administration
	Protect	Names, addresses and dates of birth of Inverclyde Council employees.
	Restrict	• Scottish Criminal Record Information: o CHS Live (Criminal History Services); and o SWIFT and hard copy. • VISOR (Violent and Sex Offenders Register). • Older People in Care Homes database. • Individual Client Records: o CIS (Homecare); and o SWIFT. • Child Protection Minutes (Word). • Children Excluded from School (Manual). • ICIL (stock control system) – IJEMS (Access/SQL Server). • Health Addictions of homeless clients contained on the Health and Homeless Information System Access Database. • Questionnaire for LD clients contained in Access Database. • Information contained on SWIFT for example: • Foster Payments; • Children in residential Homes; • Adult Protection; • Foster and Kinship Carers; • Individual Client Records; • Looked After Children's Register;

		• Adoption and Fostering; and • Foster Carer contact details. The same classification should be applied where the above information is contained in anyone of the following: • FMS, Excel, Access Database and Manual systems/formats.

7. Classification Handling Criteria

The table below details the handling criteria for all Protect Data:

Function	Classified Data
User Access Limitations	• Access limited to authorised data users on a need to know basis • Access to ICT management systems is limited to authorised hierarchical constraints • Standard password requirement • Individual files may also be password protect at the discretion of the originator
Transmission Restrictions E-Mail	• Transmission from and to the Internet requires encryption • Transmission across all areas of the Intranet and internally requires encryption
Waste Disposal: Printed Format	Cross Cutting Shredded or Incinerated
Waste Disposal: IT Media	• Floppy disks and CDs destroyed by Shredding • Hard Drives degaussed as arranged by ICT Services only • Certificates must be raised confirming the cleansing of hard drives • USB Devices must be handed to ICT Services for Secure Destruction, this will be completed by a security clear partner organisation
Home Working	To be approved by the Transitional Head of ICT within the constraints of the Authority's Home Working Procedures
Mobile Working	To be approved by the Transitional Head of ICT within the constraints of the Authority's Home Working Procedures
Facsimile (Fax)	• Authentication of reception before transmission is required. • Confirmation of receipt is required. • Pre-programmed telephone numbers entered to prevent miss dialling. • Regular checks must take place to ensure that numbers have not changed.

8. Photocopying and Printing

Any employee having access to a photocopying machine can, in a matter of moments, copy any document to hand. Attention is drawn to the need to ensure confidentiality of all documents when they are copied.

When you print material, please ensure that it is collected immediately and that you collect all of the material. Secure printing should be used when printing classified documents.

9. Physical Protection

The physical protection of Classified documents is comparatively simple. There are many fire proofed document containers available that offer good thief resistance. They range in size from dispatch box to full cupboard size and may be locked by either combination or keyed locks. Inbuilt alarm systems can be incorporated and these can be programmed to record all access to the documents.

Any Classified document should, without fail, be accounted for by signature and after the working day be secured as above. A clear desk policy should be strictly enforced at all times.

10. Security of Media in Transit

The physical protection of Classified documents in transit can be similarly protect and large offices should operate a messenger system with locked keys. The originator and the recipient hold the keys only.

Envelopes containing Classified documents should be clearly marked with the classification so that persons other than the intended level of recipient do not open it. If documents are to be carried by Public Carriers a second, outer envelope should be used showing destination address only and no indication of document classification. In addition the following procedures must be applied:

- Only reliable transport services should be used. A list of preferred couriers should be compiled and maintained within each service area. It is the head of service responsibility to maintain this list. Advice on how to pick appropriate secure suppliers can be provided by ICT Services.
- Procedures for checking a courier’s identity should be implemented.
- Packaging of data should be sufficient to protect it from physical damage.
- Special controls such as the use of locked containers, delivery by hand and tamper evident packaging should be used to further protect classified information from unauthorised disclosure.

11. Unified Classification Markings

Many organisations already have an information security programme in place that ensures consistent identification and protection of Classified material. However assumptions cannot be made about how our trading partners may protect our information. Few organisations follow a common approach to sharing information securely. Exactly how information is classified and protected will vary from company to company, or even from department to department, but the level of protection should be the same.

Adoption of this scheme will provide current best practice guidance and interoperability on a common approach to appropriate marking and protection of information throughout Inverclyde Partnership Organisations.

12. Interoperability between Organisations

The table below defines the three security (IL) levels matched against the Government and Inverclyde Councils internal classification schemes. Individual Inverclyde Partnership Organisations should use their own terminology to describe these levels and should relate them to their business in terms of the impact or damage, which would arise from unauthorised disclosure. Information identified as IL2 or IL3 should always be marked whether it is on paper, cassette, disk, slide, flip chart, microfiche, photographs or any other media.

All Inverclyde Partnership Organisations can continue to use their own markings but should add the 'IL' marking at the end, to enable others to recognise the level of classification.

Government Department Classifications	Information Threat level	Inverclyde Council Document Classifications
Restricted	**IL3**	**Restricted**
Protect	**IL2**	**Protect**
Not Protectively Marked	**IL1**	**Not Protectively Marked**

Council Information should not be marked above Restricted.

Responsibilities

Everyone is responsible for the information they handle. The Corporate Director Inverclyde CHCP has overall responsibility for updating this document and providing advice on its implementation.

Other Relevant Policies / Council Documents

- Information Governance and Management Framework
- Classification Policy
- Acceptable Use of Information Systems Policy
- Guidance on Promoting a Clear Desk Environment
- Policy for the Retention and Disposal of Documents and Records
- Data Protection Policy
- A quick guide to Information Security
- Protocol for Dealing with a Potential Data Protection Breach
- ICT Guide on Password Protection and Encryption
- USB Device Procedures

Review Date

[ ]

Compliance

Random spot checks to review compliance with this Policy will be carried out as determined by the Corporate Director Inverclyde CHCP and by Internal Audit.

Impact on the Council's Key Priorities

Without an up to date classification policy we risk unnecessary harm to people's personal data.

Monitoring Arrangements

All emails sent and received by the Council should be controlled and destroyed in line with Inverclyde Council's Policy on the Retention and Disposal of Documents and Records. .

Training and Awareness Requirements

All users who have access to information that must go over the Government Secure Intranet (GSi) will be trained in information security before being allowed access to the system. This training will cover classification of documents.

INVERCLYDE COUNCIL
POLICY AND RESOURCES COMMITTEE

AGENDA AND ALL PAPERS TO:

Councillor MacLeod		1
Councillor McCabe		1
Councillor Wilson		1
Councillor McCormick		1
Provost Moran		1
Councillor Clocherty		1
Councillor McEleny		1
Councillor McIlwee		1
Councillor Loughran		1
Councillor Nelson		1
Councillor Rebecchi		1
All other Members (for information only)		9
Officers:		
Chief Executive		1
Corporate Communications & Public Affairs		1
Corporate Director Community Health & Care Partnership		1
Head of Children & Families & Criminal Justice		1
Head of Community Care & Health		1
Head of Planning, Health Improvement & Commissioning		1
Head of Mental Health & Addictions		1
Corporate Director Education & Communities		1
Head of Education		1
Head of Inclusive Education, Culture & Corporate Policy		1
Head of Safer & Inclusive Communities		1
Head of Organisational Development, HR & Communications		1
Corporate Director Environment, Regeneration & Resources		1
Head of Legal & Democratic Services		1
Chief Financial Officer		2
Head of Property Assets & Facilities Management		1
Business/Democratic Services Manager		1
S Lang, Legal & Democratic Services		1
R McGhee, Legal & Democratic Services		1
Chief Internal Auditor		1
File Copy		1
	TOTAL	42
AGENDA AND ALL NON-CONFIDENTIAL PAPERS TO:		
Community Councils		10
	TOTAL	52

21/05/2012